



Executive Summary

of Investment Performance

Prepared for:
California Public Employees' Retirement System

California Affiliate

- **Judges II**
- **Long Term Care**
- **Volunteer Firefighters**

California Legislators' Fund

Annuitants Healthcare Plan

California Supplemental Income Plans

Fourth Quarter 2007

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Capital Market Overview

The fourth quarter of 2007 brought a turbulent year to a very uneasy close, with the sub-prime mortgage market meltdown contributing to a serious real estate market slowdown and the real threat of a recession hanging over the US economy. The seriousness of the sub-prime mortgage crisis was highlighted repeatedly over the course of the quarter as major financial institutions posted large write-downs related to these securities. Real estate markets with large bubbles in property prices saw valuations sink in response to tighter credit and increased loan defaults and property foreclosures; indeed, foreclosure rates increased all over the country as more homeowners defaulted on newly-adjusted high-rate ARMs. Continued record high crude oil prices did not help matters; oil closed the quarter at \$95.98 per barrel, after nearly breaching the psychologically-important \$100 per barrel price barrier in late November. Fuel, health care and food costs all helped drive the Consumer Price Index (All Urban Consumers) to a 0.74% fourth quarter increase; the 4.08% CPI-U rate posted for all of 2007 was the highest calendar year inflation rate since 1990. Faced with the possibility of the economy suffering a painful slowdown, and tipping into recession, the Federal Reserve lowered the bellwether Federal Funds overnight rate to 4.25% in two 25 basis-point moves on October 31 and December 11. The economic turmoil impelled investors to sell stocks and seek safe-haven, lower-risk investments such as US Treasury paper. Non-US markets followed suit, with equities of developed markets losing ground to high-quality fixed income in a worldwide flight to safety.

U.S. Equity

US stock investors weathered a fairly bumpy fourth quarter with all broad indexes losing ground. The Standard & Poor's 500 index's -3.3% quarterly return was barely bested by the broader Dow Jones Wilshire 5000's -3.2%. For all of 2007, the DJW 5000 eked out a win over the S&P 500, albeit slight (5.6% versus 5.5%, respectively). Economic uncertainty often plays out with investors favoring stocks of larger companies to those of smaller, riskier companies, and this was indeed the case in the fourth quarter; the DJW Large Cap index, at -2.9% for the quarter (6.4% for all 2007), outdistanced the DJW Small Cap (-4.9% fourth quarter, 1.9% for the year) and DJW Micro Cap (-8.4% fourth quarter, -8.5% calendar 2007) indexes. However, since the current economic woes have hit real estate-related sectors hardest, especially financial companies related to mortgage loans, growth-oriented indexes handily outperformed value-oriented benchmarks for the quarter and year (DJW Large Growth, -0.6% fourth quarter, 11.0% year; DJW Large Value, -5.3% fourth quarter, 1.8% year; DJW Small Growth, -3.5% fourth quarter, 8.1% year; DJW Small Value, -6.4% fourth quarter, -4.1% year). Turning to economic sectors of the S&P 500 index, the fourth quarter saw Energy stocks, especially petroleum-related issues, yielding the strongest performance (4.1%). The Utilities sector was the only other group managing positive performance over the quarter (0.8%); interestingly, power and gas companies were the main drivers of that positive performance, as land-line and cellular telephone companies lost ground. Unsurprisingly, Finance was the worst-performing sector (-14.04%); companies with large exposure to mortgage-loan underwriting and structured financial securities management were very hard-hit, while large diversified trust companies and insurance companies without risky mortgage loan exposure performed relatively well. As consumers tightened their belts, large-ticket items stayed in stores unsold; the Consumer Durables sector, as a result, returned -10.5% for the quarter. Public market real estate equity was the worst-performing broad sector of US stocks by far; the DJW Real Estate Securities Index (consisting of both Real Estate Investment Trusts and RE Operating Companies) returned -13.7% for the fourth quarter and -17.7% for all of 2007.



U.S. Fixed Income

Economic uncertainty and the resultant flight to quality, combined with the Fed's interest-rate cuts, translated to strong performance for US investment-grade fixed income in the fourth quarter. The US Treasury yield curve fell at all maturities over the quarter, especially at the short end. Yields on two-year Treasuries fell over 90 basis points to 4.0%; yields on thirty-year Treasuries dropped by over 35b.p. to 4.5%. As befits a falling interest-rate environment, long-term paper outperformed shorter-term issuance (Lehman Long-Term Treasury, 5.7% fourth quarter, 9.8% year; Lehman 1-3 Year Treasury, 2.4% fourth quarter, 7.3% year). Spreads widened on corporate bonds as investors shunned credit risk; Government and government-sponsored Mortgage-backed paper handily bested Credits for the quarter and year (Lehman Government, 3.7% fourth quarter, 8.7% year; Lehman Mortgage, 3.0% fourth quarter, 6.9% year; Lehman Credit, 2.2% fourth quarter, 5.1% year). As lower-quality debt issuers encountered tightened credit and a market on the lookout for increased default risk, high-yield bond spreads jumped considerably over the quarter, naturally resulting in marked underperformance relative to investment-grade paper (Lehman High Yield, -1.3% fourth quarter, 1.9% year; Lehman Aggregate, 3.0% fourth quarter, 7.0% year).

Global Markets

The fourth quarter saw losses for global developed equity markets, with the still-weak US dollar breaking the fall for US-based investors. With a large portion of Japan's economy tied to US fortunes, it is unsurprising that the Pacific region underperformed Europe for the quarter and year in local currency (MSCI Pacific Net, -6.3% fourth quarter, -1.3% year; MSCI Europe Net, -1.5% fourth quarter, 6.0% year) and US dollar (MSCI Pacific Net, -4.6% fourth quarter, 5.3% year; MSCI Europe Net, -0.5% fourth quarter, 13.9% year) terms. Emerging-market equity, reflecting high exposure to commodities like crude oil, bested developed-market stock as a whole for the quarter (MSCI Emerging Markets Net, 2.9% local, 3.7% USD; MSCI EAFE Net, -3.0% local, -1.8% USD) and the year (MSCI Emerging Markets Net, 33.2% local, 39.8% USD; MSCI EAFE Net, 3.5% local, 11.2% USD). Global fixed income again benefited from investors' flight to quality, especially in developed bond markets (Lehman Global Aggregate, 3.3% USD fourth quarter, 9.5% USD year; JP Morgan EMBI+, 2.7% USD fourth quarter, 6.5% USD year).



Summary of Index Returns

For Periods Ended December 31, 2007

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Domestic Equity					
Standard & Poor's 500	-3.33%	5.54%	8.63%	12.84%	5.92%
Dow Jones Wilshire 5000	-3.22	5.62	9.16	14.01	6.31
Dow Jones Wilshire 4500	-3.28	5.39	10.16	17.83	7.69
Dow Jones Wilshire Large Cap	-2.90	6.40	9.37	13.49	6.14
Dow Jones Wilshire Small Cap	-4.91	1.90	8.58	17.90	8.53
Dow Jones Wilshire Micro Cap	-8.43	-8.52	2.08	17.96	10.87
Domestic Equity					
Dow Jones Wilshire Large Value	-5.31%	1.84%	9.49%	14.23%	7.56%
Dow Jones Wilshire Large Growth	-0.61	10.97	9.05	12.62	4.30
Dow Jones Wilshire Mid Value	-4.86	-1.29	6.40	13.89	9.73
Dow Jones Wilshire Mid Growth	-3.31	11.24	13.13	19.82	6.62
Dow Jones Wilshire Small Value	-6.36	-4.13	6.61	16.31	10.07
Dow Jones Wilshire Small Growth	-3.53	8.05	10.48	19.38	6.07
International Equity					
MSCI All World ex U.S.	-0.62%	17.12%	20.37%	24.51%	10.09%
MSCI EAFE	-1.75	11.17	16.83	21.58	8.66
MSCI Europe	-0.46	13.86	18.54	22.78	9.55
MSCI Pacific	-4.63	5.29	13.15	19.01	6.83
MSCI EMF Index	3.66	39.78	35.60	37.46	10.53
Domestic Fixed Income					
Lehman Aggregate Bond	3.00%	6.96%	4.56%	4.42%	5.97%
Lehman Credit	2.18	5.10	3.76	4.84	6.05
Lehman Mortgage	3.01	6.86	4.89	4.48	5.90
Lehman Treasury	3.97	9.03	4.92	4.11	5.92
Citigroup High Yield Cash Pay	-1.19	1.91	5.14	10.68	5.92
91-Day Treasury Bill	1.07	5.03	4.30	3.06	3.75
International Fixed Income					
Citigroup Non-U.S. Gov. Bond	3.91%	11.45%	2.67%	7.54%	6.30%
Citigroup World Gov. Bond	3.92	10.95	3.12	6.82	6.32
Citigroup Hedged Non-U.S. Gov.	1.94	4.88	4.55	4.14	5.72
Currency*					
Euro vs. \$	2.81%	10.87%	2.46%	6.86%	-.%
Yen vs. \$	2.95	6.66	-2.84	1.22	1.53
Pound vs. \$	-2.29	1.71	1.21	4.34	1.93
Real Estate					
Dow Jones Wilshire REIT Index	-13.54%	-17.56%	8.46%	18.27%	11.05%
Dow Jones Wilshire RESI	-13.68	-17.66	8.34	18.64	10.78
NCREIF Property Index	3.21	15.84	17.48	15.13	12.91

*Positive values indicate dollar depreciation.



Summary Review of Plans

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
TOTAL FUND for PERF	\$253.0 bil	-0.5%	10.0%	11.9%	14.3%	8.5%
<i>Total Fund Policy Index</i>		0.2%	10.0%	11.2%	13.4%	7.9%
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	7.8%	8.0%
<i>TUCS Public Fund Median</i>		-0.7%	7.4%	9.0%	12.1%	7.4%
<i>Wilshire Large Fund Universe Median ¹</i>		-0.6%	8.7%	10.0%	12.7%	7.7%
Affiliate Fund						
Judges II	\$258.9 mil	-1.6%	5.6%	9.2%	11.7%	7.0%
<i>Weighted Policy Benchmark</i>		-1.6%	5.2%	8.7%	11.3%	7.0%
Long Term Care ("LTC")	\$2,348.6 mil	-0.6%	6.7%	8.8%	11.6%	6.9%
<i>Weighted Policy Benchmark</i>		-0.6%	6.3%	8.1%	11.0%	6.9%
Volunteer Firefighters ("VFF")	\$3.5 mil	-2.2%	4.3%	9.5%	11.6%	7.0%
<i>Weighted Policy Benchmark</i>		-1.8%	4.6%	8.9%	11.1%	7.0%
Annuitants Health Care	\$86.7 mil	-1.7%	-.%	-.%	-.%	-.%
<i>Weighted Policy Benchmark</i>		-2.4%	-.%	-.%	-.%	-.%
<i>TUCS Public Fund Median</i>		-0.7%	7.4%	9.0%	12.1%	7.4%
Legislators' Fund						
LRS	\$144.0 mil	1.0%	7.9%	7.5%	9.5%	7.2%
<i>Weighted Policy Benchmark</i>		1.1%	7.7%	7.3%	9.3%	7.4%
<i>TUCS Public Fund Median</i>		-0.7%	7.4%	9.0%	12.1%	7.4%
Supplemental Income Plans	\$22.7 mil	-0.8%	7.9%	9.6%	12.3%	-.%
<i>Weighted Policy Benchmark</i>		1.1%	7.5%	9.1%	12.2%	-.%

¹ The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocation.



Total Fund Review PERF Periods Ended 12/31/2007

	Market Value	Five-Year Ratios								
		Qtr	1 Year	3 Year	5 Year	10 Year	Var ¹³	PAR ¹⁴	Sharpe ¹⁵	Info ¹⁵
TOTAL FUND	\$253.0 bil	-0.5%	10.0%	11.9%	14.3%	8.5%	\$7.0 bil	1.0%	1.6	1.2
<i>Total Fund Policy Index</i> ²		0.2%	10.0%	11.2%	13.4%	7.9%			1.6	0.0
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	7.8%	8.0%				
<i>TUCS Public Fund Median</i>		-0.7%	7.4%	9.0%	12.1%	7.4%				
<i>Wilshire Large Fund Universe Median</i> ³		-0.6%	8.7%	10.0%	12.7%	7.7%				
TOTAL GLOBAL EQUITY EX-AIM ⁴	140.5	-2.4%	8.8%	12.6%	17.2%	8.0%	\$13.1 bil	0.5%	1.2	0.0
<i>Equity Policy Index</i> ⁵		-1.9%	10.1%	12.8%	17.1%	7.5%			1.2	0.0
<i>TUCS Equity Median</i> ⁶		-3.4%	5.3%	9.2%	14.9%	8.1%				
TOTAL FIXED INCOME ⁷	67.8	3.5%	8.1%	5.3%	7.0%	6.9%	\$1,355 mil	0.4%	0.8	1.5
<i>Fixed Income Policy Index</i> ⁸		3.5%	7.6%	4.6%	5.5%	6.5%			0.5	0.0
<i>TUCS Fixed Income Median</i>		2.4%	6.4%	4.7%	4.8%	6.1%				
TOTAL REAL ESTATE ⁹	20.8	-0.2%	9.5%	24.2%	20.1%	15.4%	\$517 mil	0.7%	2.6	
<i>NCREIF Property Index Lagged</i>		3.6%	17.3%	18.0%	14.8%	13.1%			3.9	
<i>TUCS Real Estate Median</i>		1.4%	11.2%	16.0%	16.3%	12.8%				
TOTAL AIM PROGRAM	20.4	0.1%	25.8%	23.2%	17.6%	12.4%	\$149 mil	0.8%	1.9	
<i>Policy Index</i> ¹⁰		4.7%	17.5%	18.3%	13.1%	6.1%			2.2	
TOTAL INFLATION LINKED PROGRAM	1.9	4.1%	-.-%	-.-%	-.-%	-.-%				
<i>Policy Index</i>		1.3%	-.-%	-.-%	-.-%	-.-%				
CASH EQUITIZATION PROGRAM ¹¹	1.6	-0.6%	1.7%	3.4%	2.6%	3.8%				
<i>Custom STIF</i> ¹²		1.2%	5.3%	4.5%	3.2%	3.9%				

² The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

³ These returns represent preliminary numbers.

⁴ Includes domestic equity, international equity, corporate governance, and MDP ventures.

⁵ The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

⁶ Includes domestic and international equity.

⁷ The Total Fixed Income Composite does not include LM Capital. LM Capital has been mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

⁸ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁹ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

¹⁰ The AIM Policy Index consists of the Custom Young Fund Universe and is linked historically to its prior benchmark.

¹¹ Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.

¹² The Custom STIF Policy Index is a custom index maintained by SSgA.

¹³ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

¹⁴ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

¹⁵ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.



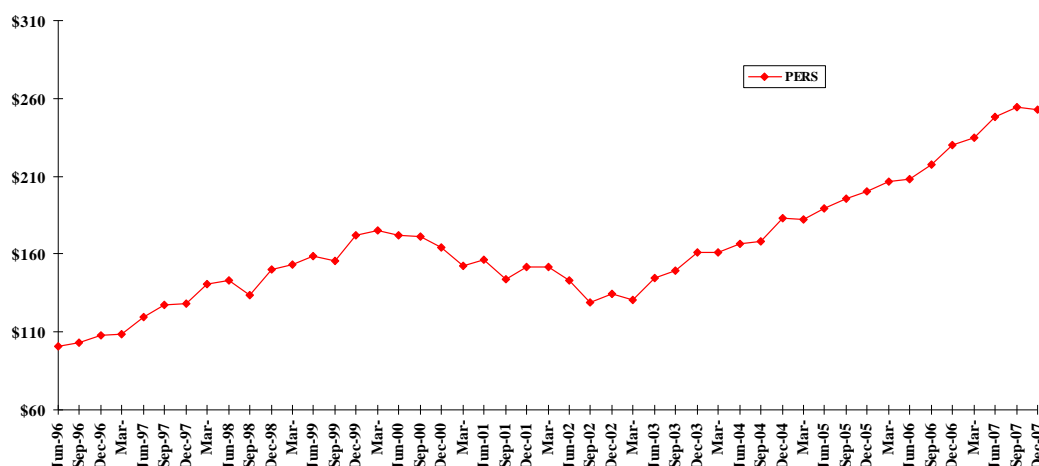
Total Fund Review for PERF (continued)
Periods Ended 12/31/07

Total Fund Flow

<u>(\$Millions)</u>	<u>Beg. Mkt Value</u>	<u>Net Cash Flow</u>	<u>Invest. Mgmt Fees</u>	<u>Invest. Gain/Loss</u>	<u>End. Mkt Value</u>	<u>Total Return</u>
4Q07	254,627	(423)	(113)	(1,077)	253,014	(0.5)%

Historical Growth of Assets

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>	<u>4Q07</u>
Market Value (\$bil)	164.6	151.7	134.1	161.0	182.8	200.6	230.3	234.8	247.7	254.6	253.0



Asset Allocation

Asset Allocation: Actual versus Target Weights*

<u>Asset Class</u>	<u>Actual Asset Allocation Quarter Ending</u>	<u>Target Asset Allocation</u>	<u>Difference Ending</u>
Equities	55.5%	60.0%	-4.5%
Fixed Income	26.8%	26.0%	1.6%
Real Estate	8.2%	8.0%	0.2%
ILAC	0.8%	0.0%	0.8%
AIM	8.1%	6.0%	2.1%
Cash Equivalents	0.6%	0.0%	0.6%

CalPERS Historical Asset Allocation

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>	<u>4Q07</u>
% Equity	62	66	69	70	64	63	57	63	63	62	63	62	61	57	56
% AIM	-	-	-	-	-	-	5	5	5	5	6	6	6	8	8
% Fixed Income	31	28	26	24	29	27	28	24	24	25	23	23	24	26	27
% ILAC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
% Real Estate	6	5	4	5	6	9	9	7	6	5	8	8	8	8	8
% Cash	1	1	1	1	1	1	1	1	1	3	1	1	1	1	1

* Target allocations were revised. The new target allocations will be shown in the March 2008 report.



California Public Employees' Retirement System
Total Fund Attribution
Total Composite
Quarter Ended 12/31/07

Composite	Allocation			Returns			Total Fund Return Contribution				
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Actual Allocation (%)	Active Mgmt (%)	Activity (%)	Strategic Policy (%)	Weighted Return (%)
Total Equity ex-AIM	60.0	57.3	-2.7	-1.9	-2.4	-0.5	0.1	-0.2	-0.1	-1.1	-1.4
U.S. Equity	38.8	34.6	-4.2	-2.8	-2.9	-0.1	0.1	0.0	0.0	-1.1	-1.0
Internal Passive (including DCF)	28.0	24.6	-3.4	-2.8	-2.7	0.1	0.1	0.0	0.0	-0.8	-0.7
Internal Enhanced	2.0	2.1	0.1	-2.8	-2.4	0.4	0.0	0.0	0.0	-0.1	0.0
External Enhanced	4.0	3.0	-1.0	-3.3	-4.7	-1.4	0.0	0.0	0.0	-0.1	-0.1
Active	2.0	2.0	0.0	-2.8	-3.3	-0.5	0.0	0.0	0.0	-0.1	-0.1
Corporate Governance	2.0	1.2	-0.8	-2.3	-8.6	-6.3	0.0	-0.1	0.0	0.0	-0.1
Long/Short	0.0	1.3	1.3	-3.2	-3.8	-0.6	0.0	0.0	0.0	0.0	0.0
MDP	0.8	0.5	-0.3	-2.9	-2.0	0.9	0.0	0.0	0.0	0.0	0.0
Non-U.S. Equity	19.4	20.3	0.9	-0.2	-1.3	-1.1	0.0	-0.2	0.0	0.0	-0.3
Passive	10.0	10.0	0.0	-1.3	-1.8	-0.5	0.0	0.0	0.0	-0.1	-0.2
Enhanced	1.7	2.0	0.3	-1.2	-2.7	-1.5	0.0	0.0	0.0	0.0	-0.1
Active	3.8	4.7	0.9	-1.2	-1.8	-0.6	0.0	0.0	0.0	0.0	-0.1
Emerging Markets	2.5	2.4	-0.1	3.8	2.6	-1.2	0.0	0.0	0.0	0.1	0.1
Corporate Governance	1.0	1.1	0.1	-4.0	-7.4	-3.4	0.0	0.0	0.0	0.0	-0.1
MDP	0.4	0.2	-0.2	-0.6	-1.6	-1.0	0.0	0.0	0.0	0.0	0.0
Currency Overlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RM ARS	1.8	2.4	0.6	2.8	1.8	-1.0	0.0	0.0	0.0	0.1	0.0
Total Fixed Income	26.0	26.3	0.3	3.5	3.5	0.0	0.0	0.0	0.1	0.9	0.9
U.S. Fixed Income	23.0	23.5	0.5	3.5	3.5	0.0	0.0	0.0	0.0	0.8	0.8
Internal U.S. Bonds^	21.2	21.6	0.4	3.5	3.6	0.1	0.0	0.0	0.0	0.7	0.8
Special Investments^	1.0	0.4	-0.6	2.9	2.7	-0.3	0.0	0.0	0.0	0.0	0.0
Opportunistic^	0.8	1.2	0.4	-0.9	0.3	1.2	0.0	0.0	0.0	0.0	0.0
Non-U.S. Fixed Income	3.0	2.8	-0.2	3.7	3.7	0.0	0.0	0.0	0.0	0.1	0.1
Commodities	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate	8.0	8.0	0.0	3.6	-0.2	-3.8	0.0	-0.3	0.0	0.3	0.0
AIM Program	6.0	7.5	1.5	4.7	0.1	-4.6	0.1	-0.3	0.0	0.3	0.0
Cash Equization	0.0	0.8	0.8	1.2	-0.6	-1.8	0.0	0.0	0.0	0.0	0.0
Total Fund	100.0	100.0	0.0	0.2	-0.5	-0.7	0.1	-0.9	0.1	0.2	-0.5

The Total Fund Attribution displays the return contribution of each asset class to the total fund using the allocation to each program at the beginning of the quarter and this quarter's returns to determine if tactical allocation and active management within asset classes helped or hurt performance



Total Fund Review for PERF (continued)

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of -0.5%, for the quarter ended December 31, 2007. CalPERS' return can be attributed as follows:

+0.2%	Strategic Policy Allocation
+0.1%	Actual/Tactical Asset Allocation
+0.1%	Activity/Timing
<u>-0.9%</u>	Active Management
-0.5%	Total Return

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
 - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
 - Activity: The Activity contribution column is the difference between the "buy and hold" portfolio and the weighted return and would be caused by timing and size of cash flows (transfers, deposits, and withdrawals).
 - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
 - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
 - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ The Total Fund composite lagged its strategic policy. However, the System has beaten its weighted policy index and its actuarial rate of return for the 3-year, 5-year, and 10-year period.



Total Fund Review for PERF (continued)

Helped Performance:

- ◆ **US Bond Exposure:** Bond markets saw yields fall as investors moved out of equities and into fixed income securities for the quarter. The Bond segment was able to beat the total fund policy return of 0.2 for the quarter but has lagged the total fund policy for all other listed periods.
- ◆ **International Fixed Income:** The international bond segment was one of the best returning segment for the quarter and outperformed the total fund policy.
- ◆ **RM ARS Program:** The RM ARS Program outperformed the total fund policy and the US Equity segment for the quarter. The US equity segment was its funding source.
- ◆ **Total Inflation Linked Program:** The total inflation linked program outperformed the total fund policy.

Impeded Performance:

- ◆ **U.S. Equity Exposure:** The System's U.S. equity asset class returned -2.9% which underperformed the total fund policy return. Domestic equities have outperformed the total fund policy for the five year period.
- ◆ **International Equity Exposure:** The System's international equity program returned -1.3% and underperformed the policy index return for the quarter. International equities have also outperformed the total fund policy for the one year, three year, five year, and ten year periods.
- ◆ **Real Estate:** The System's real estate segment returned -0.2%, underperforming the total fund policy's return. The program has produced excellent long-term returns and has outperformed the total fund policy for the three, five, and ten year periods.
- ◆ **AIM Program:** The alternative investment program slightly underperformed the total fund but outperformed the equity policies and has continued to contribute favorably to the total fund policy for the one year, three, five, and ten year periods.
- ◆ **Corporate Governance:** The System's corporate governance program underperformed the total fund policy for the quarter. However, the corporate governance segment has produced favorable contributions to the total fund performance for the five year time period.



Total Equity Review for PERF Periods Ended 12/31/07

Equity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Equities	34.5	40.0%	-5.5
Non US Equities	21.0	20.0	+1.0

Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ²³	PAR ²⁴	5-year Sharpe Ratio ²⁵	5-year Info Ratio ²⁵
Total Global Equity ex-AIM¹⁶	140.5	-2.4%	8.8%	12.6%	17.2%	8.0%	\$13.1 bil	0.5%	1.2	0.0
Equity Policy Index ¹⁷		-1.9%	10.1%	12.8%	17.1%	7.5%			1.2	0.0
Value Added		-0.5%	-1.3%	-0.2%	0.1%	0.5%				
US Equity Composite	79.6	-2.9%	6.3%	9.1%	13.7%	6.4%	\$6.3 bil	0.1%	1.0	-0.1
PERS Wilshire 2500 Index		-2.8%	6.7%	9.2%	13.7%	6.1%			1.0	0.0
Value Added		-0.1%	-0.4%	-0.1%	0.0%	0.3%				
Non-US Equity Composite	48.6	-1.3%	14.9%	19.5%	22.5%	9.6%	\$6.4 bil	0.4%	1.4	-1.0
PERS Custom Index ¹⁸		-0.2%	17.2%	20.1%	24.2%	9.3%			1.5	0.0
Value Added		-1.1%	-2.3%	-0.6%	-1.7%	0.3%				
RM ARS Program	7.0	1.8%	9.5%	10.7%	10.8%	-.%	\$ 70.7 mil	0.2%	1.5	0.0
Policy Index ¹⁹		2.8%	11.2%	9.4%	10.8%	-.%			1.8	0.0
Value Added		-1.0%	-1.7%	1.3%	0.0%	-.%				
Corporate Governance	5.3	-8.0%	-4.0%	8.3%	16.8%	-.%			0.9	0.1
Policy Index ²⁰		-3.5%	3.2%	11.4%	16.3%	-.%			1.1	0.0
Value Added		-4.5%	-7.2%	-3.1%	0.5%	-.%				
Total Global Equity ex-AIM & ex-Currency overlay²¹	140.5	-2.3%	9.3%	12.7%	17.1%	-.%				
Equity Policy Index ²²		-1.9%	10.1%	12.8%	17.1%	-.%				
Value Added		-0.4%	-0.8%	-0.1%	0.0%	-.%				

¹⁶ Includes domestic equity, international equity, corporate governance, currency overlay, and the RM ARS program. The composites do not add up due to the following accounts being included in the Total Global Equity Ex- Aim and not in the underlying composites: LM Capital, Internal Domestic and International Equity Transition accounts. In addition, there may be rounding differences.

¹⁷ The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

¹⁸ The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

¹⁹ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

²⁰ The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

²¹ Includes domestic equity, international equity, corporate governance, and the RM ARS program.

²² The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

²³ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return – (1.65 X SD)) X MV).

²⁴ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

²⁵ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



Total Equity Review for PERF (continued)

Comments Regarding Recent Equity Segment Performance

Helped or Equaled Performance:

- ◆ **International Equity Exposure:** The System's international equity managers outperformed the equity policy and has added value since inception.
- ◆ **Internal International Equity Index:** The System's internally managed international equity index outperformed the equity policy index over the quarter. The index has added value over longer periods.
- ◆ **Emerging Markets Exposure:** The System's emerging market managers outperformed the equity policy index. The emerging markets segment outpaced the total equity return over all other longer periods.
- ◆ **RM ARS Program:** The System's RM ARS program outperformed the equity policy and the total fund policy for the quarter.
- ◆ **Dynamic Completion Fund (DCF):** The DCF portfolio outperformed the equity policy return for the quarter but has underperformed over all other time periods.
- ◆ **International Equity MDP:** The international equity MDP program outperformed the total equity policy this quarter.

Impeded Performance:

- ◆ **Internal PERS 2500:** The System's internal PERS 2500 index fund lagged the equity policy index. The fund's performance matched that of its custom benchmark which is consistent with its objective.
- ◆ **Corporate Governance:** The corporate governance program lagged the total equity policy index for the quarter, one year, three and five year time periods.
- ◆ **Domestic Equity MDP:** The System's domestic MDP program lagged the total equity policy.
- ◆ **Environmental Domestic Equity:** The environmental domestic equity lagged the total equity policy for the quarter.
- ◆ **Domestic Internal Micro-Cap Exposure:** The internal micro-cap portfolio lagged the equity policy index over the quarter.
- ◆ **International Environmental Program:** The international environmental program lagged the total equity policy this quarter.



Total Equity Review for PERF - U.S. Equity Manager Performance

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
US Equity Composite²⁶	79.6	-2.9%	6.3%	9.1%	13.7%	6.4%	12/79
PERS Wilshire 2500 Index		-2.8%	6.7%	9.2%	13.7%	6.1%	
Value Added		-0.1%	-0.4%	-0.1%	0.0%	0.3%	
Total Internal Equity²⁶	62.8	-2.7%	6.8%	9.3%	13.7%	6.3%	6/88
Internal PERS 2500	50.8	-2.8%	6.9%	9.4%	13.8%	6.3%	12/91
PERS Wilshire 2500		-2.8%	6.7%	9.2%	13.7%	6.1%	
Tracking Error		0.0%	0.2%	0.2%	0.1%	0.2%	
Dynamic Completion Fund (DCF)	4.9	-1.5%	8.6%	9.1%	11.9%	-.%	9/98
Custom Benchmark		-1.6%	8.6%	9.2%	12.0%	-.%	
Tracking Error		0.1%	0.0%	-0.1%	-0.1%	-.%	
Domestic Enhanced Index Strategy	5.1	-2.4%	7.1%	10.6%	16.0%	-.%	3/01
PERS Wilshire 2500		-2.8%	6.7%	9.2%	13.7%	-.%	
Value Added		0.4%	0.4%	1.4%	2.3%	-.%	
Internal Domestic Fundamental	1.1	-4.6%	2.8%	-.%	-.%	-.%	6/06
PERS Wilshire 2500		-2.8%	6.7%	-.%	-.%	-.%	
Value Added		-1.8%	-3.9%	-.%	-.%	-.%	
Internal Microcap	0.7	-7.5%	-5.3%	5.0%	-.%	-.%	9/03
Custom Benchmark		-9.0%	-8.0%	4.2%	-.%	-.%	
Tracking Error		1.5%	2.7%	0.8%	-.%	-.%	
Total External Domestic Equity	16.2	-3.5%	4.3%	8.3%	13.9%	7.2%	6/87
Total Active External Mainstream	4.7	-2.0%	7.8%	9.7%	14.6%	-.%	6/98
Total Domestic Ext. Enhanced	7.2	-4.7%	1.7%	7.6%	-.%	-.%	9/04
Custom Benchmark		-3.3%	5.4%	8.7%	-.%	-.%	
Value Added		-1.4%	-3.7%	-1.1%	-.%	-.%	
Long/Short	3.1	-3.8%	-.%	-.%	-.%	-.%	6/07
Custom Benchmark		-3.2%	-.%	-.%	-.%	-.%	
Value Added		-0.6%	-.%	-.%	-.%	-.%	
Total Domestic Equity MDP	1.1	-2.0%	9.5%	9.5%	14.5%	-.%	12/00
Total Domestic Equity MDP Ventures	0.0	0.1%	235.4%	159.4%	93.2%	-.%	3/01
Environmental Domestic Equity	0.3	-3.1%	5.8%	-.%	-.%	-.%	3/05
Custom Benchmark		-3.3%	5.9%	-.%	-.%	-.%	
Value Added		0.2%	-0.1%	-.%	-.%	-.%	
Domestic Equity Active Manager Program²⁷							
Active External Managers + Enh + DCF	19.8	-3.1%	5.0%	8.3%	12.8%	-.%	6/98
PERS Wilshire 2500		-2.8%	6.7%	9.2%	13.7%	-.%	
Value Added of Active Mgr Program		-0.3%	-1.7%	-0.9%	-0.9%	-.%	

²⁶ Composites may not add up exactly due to rounding. The US Equity Composite includes LM Capital which is a fixed income manager that has been allocated to the equity segment.

²⁷ This composite combines components listed above to present a comparison of the total domestic equity active manager program versus its benchmark.



Total Equity Review for PERF - International Equity Manager Performance

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
Non-US Equity Composite ²⁸	48.6	-1.3%	14.9%	19.5%	22.5%	9.6%	6/89
<i>PERS Custom Index</i> ²⁹		-0.2%	17.2%	20.1%	24.2%	9.3%	
<i>Value Added</i>		-1.1%	-2.3%	-0.6%	-1.7%	0.3%	
Int'l Active Equity + MDP + Enh	16.7	-2.2%	14.1%	19.1%	22.2%	9.3%	3/89
<i>Custom Benchmark</i>		-0.2%	17.2%	20.1%	24.2%	9.9%	
<i>Value Added</i>		-2.0%	-3.1%	-1.0%	-2.0%	-0.6%	
Int'l Emerging Markets	6.3	2.6%	34.8%	31.6%	36.9%	-.-%	9/02
<i>CalPERS FTSE All Emerging Index (with Tobacco)</i>		3.8%	38.4%	33.0%	35.6%	-.-%	
<i>Value Added</i>		-1.2%	-3.6%	-1.5%	1.3%	-.-%	
Total Int'l MDP ³⁰	0.3	-1.6%	11.6%	16.3%	19.5%	-.-%	6/00
Fundamental Developed Intl	1.2	-1.0%	-.-%	-.-%	-.-%	-.-%	3/07
<i>CalPERS FTSE Developed Index</i>		-1.3%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.3%	-.-%	-.-%	-.-%	-.-%	
Structured Emerging Markets	0.1	4.5%	-.-%	-.-%	-.-%	-.-%	6/07
<i>CalPERS FTSE All Emerging (w/o Tobacco)</i>		4.1%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.4%	-.-%	-.-%	-.-%	-.-%	
Fundamental Emerging Markets	0.1	4.0%	-.-%	-.-%	-.-%	-.-%	6/07
<i>CalPERS FTSE All Emerging (w/o Tobacco)</i>		4.1%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-0.1%	-.-%	-.-%	-.-%	-.-%	
Total Int'l Ventures	0.0	3.3%	47.5%	62.0%	55.8%	-.-%	3/02
Internal International Equity Index	24.3	-1.3%	13.6%	-.-%	-.-%	-.-%	6/05
<i>Custom Benchmark</i>		-1.3%	13.5%	-.-%	-.-%	-.-%	
<i>Tracking Error</i>		0.0%	0.1%	-.-%	-.-%	-.-%	
Environmental International ³¹	0.2	-2.5%	10.5%	-.-%	-.-%	-.-%	3/06
<i>Custom Benchmark</i>		-1.2%	13.7%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-1.3%	-3.2%	-.-%	-.-%	-.-%	
Total Intl Equity ex-AIM & ex-Currency overlay ³²	47.1	-1.2%	15.1%	19.4%	23.5%	10.0%	
<i>Custom Benchmark</i>		-0.5%	16.5%	19.8%	23.9%	9.5%	
<i>Value Added</i>		-0.8%	-1.4%	-0.3%	-0.4%	0.5%	

²⁸ Composite may not add up exactly due to rounding.

²⁹ The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

³⁰ Total MDP market value is also included in the International Active Equity + MDP Composite.

³¹ The currency overlay portfolios' values are included in the international equity index.

³² Includes domestic equity, international equity, corporate governance, and the RM ARS program.

³³ The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.



RM ARS Program Review for PERF Period Ended 12/31/07

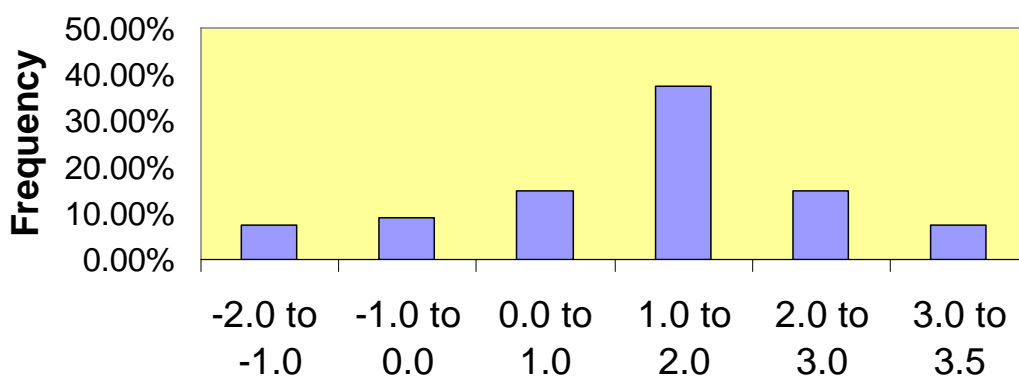
	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>5-Year</u> <u>Info</u> <u>Ratio</u> ³⁵	<u>5-Year</u> <u>Up</u> <u>Capture</u> <u>Ratio</u>	<u>5-Year</u> <u>Down</u> <u>Capture</u> <u>Ratio</u>	<u>5-Year</u> <u>Sharpe</u> <u>Ratio</u> ³⁶	<u>5-Year</u> <u>Sortino</u> <u>Ratio</u> ³⁶
Total RM ARS Program	7.0	1.8%	9.5%	10.7%	10.8%	0.0	1.0	-1.9	1.5	2.2
Total Direct Investments	5.7	2.1%	10.0%	11.4%	11.2%					
Total Fund of Funds	1.3	0.8%	7.3%	-.%	-.%					
Policy Index ³⁴		2.8%	11.2%	9.4%	10.8%					
Value Added		-1.0%	-1.7%	1.3%	0.0%					
ML 1-Year Treasury Note Index + 5% Index		2.8%	11.2%	9.4%	8.1%					
HFRI Fund of Funds Index		1.8%	10.1%	9.3%	9.3%					

RM ARS Program Characteristics Period Ended 12/31/07

Since Inception Rolling Correlations vs. Index

<u>Percentage</u> <u>of positive</u> <u>Months</u>	<u>Beta vs.</u> <u>S&P 500</u>	<u>DJ</u> <u>W5000</u> ²⁰	<u>PERS</u> <u>2500</u> ²⁰	<u>Lehman Long</u> <u>Liability</u> <u>Index</u>	<u>FTSE AW</u> <u>X US</u> ²⁰
68%	0.2	0.6	0.5	-0.3	0.5

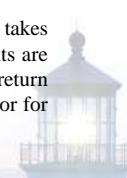
CalPERS- RM ARS (net) Monthly Histogram April 2001 to December 2007



³⁴ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

³⁵ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

³⁶ The Sortino Ratio is measure of a risk-adjusted return of an investment asset. It is an extension of the Sharpe Ratio. While the Sharpe ratio takes into account any volatility, in return of an asset, Sortino ratio differentiates volatility due to up and down movements. The up movements are considered desirable and not accounted in the volatility. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



RM ARS Program Review for PERF

- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.2 which implies a semi-weak relationship to stock market return, which is appropriate for this program.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS should function independently of the other asset classes and have a low correlation to directional movements in all other asset classes. Since inception, the performance of both the RM ARS and the stock market has been generally positive, resulting in a moderately high correlation.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. We believe that the distribution of monthly returns is as expected, given the youthfulness of the program, and has significantly more positive months than negative months, which is favorable.

Corporate Governance Review

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Date</u>
Total Corporate Governance	5.3	-8.0%	-4.0%	8.3%	16.8%	12/98
<i>Policy Index</i>		-3.5%	3.2%	11.4%	16.3%	
<i>Value Added</i>		-4.5%	-7.2%	-3.1%	0.5%	
Total Domestic Corporate Governance	2.6	-8.6%	-4.7%	5.4%	14.0%	12/98
Total Int'l Corporate Governance	2.8	-7.4%	-3.4%	11.0%	19.5%	12/98

- ◆ The System's total corporate governance program underperformed its objective and the equity policy. The international and the domestic segments underperformed their objective.



Total Fixed Income Review for PERF Periods Ended 12/31/07

Fixed Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Fixed Income	24.6%	23.0%	+1.6%
Non US Fixed Income	3.0	3.0	0.0

Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁴⁰	PAR ⁴¹	5-year Sharpe Ratio ⁴²	5-year Info Ratio ⁴²
Total Fixed Income	67.8	3.5%	8.1%	5.3%	7.0%	6.9%	\$1,355 mil	0.4%	0.8	1.5
Fixed Income Policy Index ³⁷		3.5%	7.6%	4.6%	5.5%	6.5%			0.5	0.0
Value Added		0.0%	0.5%	0.7%	1.5%	0.4%				
U.S. Fixed Income	60.3	3.5%	7.7%	5.6%	6.8%	7.0%	\$2,144mil	0.6%	0.7	1.6
Policy Index ³⁸		3.5%	7.2%	4.8%	5.2%	6.6%			0.4	0.0
Value Added		0.0%	0.5%	0.8%	1.6%	0.4%				
Non-U.S. Fixed Income	7.5	3.7%	10.8%	2.6%	7.8%	6.0%	\$570 mil	0.0%	0.6	0.3
Policy Index ³⁹		3.7%	10.9%	2.7%	7.6%	6.3%			0.6	0.0
Value Added		0.0%	-0.1%	-0.1%	0.2%	-0.3%				

Comments Regarding Recent Fixed Income Segment Performance

Helped Performance:

- ◆ **Treasury Bonds:** Treasury bonds outperformed versus the fixed income policy index for the quarter, as the Fed decreased the Fed Fund Rate which drove yields down. The portfolio has outperformed the fixed income policy over the one, three, and ten year time periods.
- ◆ **International Fixed Income:** The System's external international bond segment outperformed the total fixed income policy for the quarter as the dollar continued to depreciate. The portfolio has outperformed versus the fixed income policy over the one and five year periods.

³⁷ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

³⁸ The Domestic Fixed Income Policy Index consists of the Lehman Long Liability Index and is linked historically to its prior benchmark.

³⁹ The Non-US Fixed Income Policy Index consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

⁴⁰ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

⁴¹ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

⁴² The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



- ◆ **Internal Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds that are U.S. Dollar denominated, outperformed versus the total fixed income policy over the quarter and over all other listed periods.

Impeded Performance:

- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio underperformed the overall fixed income segment. This segment has underperformed the overall fixed income segment for the one, five, and ten year periods.
- ◆ **Special Investments:** The special investments underperformed versus the fixed income policy index over the quarter but have outperformed the fixed income policy index over the three year periods.
- ◆ **External High Yield Bonds:** The external high yield bond managers underperformed the fixed income policy index during the quarter. However, the segment has added value over the long term, led by the bank loan segment.
- ◆ **Internal High Yield Bonds:** CalPERS' internal high yield portfolio underperformed the fixed income policy index over the quarter. However, the portfolio has outperformed over the three and five year periods.



Fixed Income Performance

	Market	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	67.8	3.5%	8.1%	5.3%	7.0%	6.9%
Fixed Income Policy Index ⁴³		3.5%	7.6%	4.6%	5.5%	6.5%
Value Added		0.0%	0.5%	0.7%	1.5%	0.4%
Total Internal Bonds	55.7	3.6%	7.5%	5.3%	6.3%	6.8%
Treasury Bonds	8.5	5.3%	10.3%	5.7%	5.3%	6.9%
Mortgage Bonds	18.3	2.6%	6.4%	5.0%	4.8%	6.1%
Long Duration	6.9	3.1%	6.7%	-.%	-.%	-.%
Corporate Bonds	15.7	2.7%	5.7%	5.6%	8.9%	7.3%
U.S. Government	5.5	6.0%	10.0%	5.1%	4.5%	-.%
Sovereign Bonds ⁴⁴	1.1	4.0%	8.4%	6.2%	7.1%	8.6%
Duration/SEC Allocation	0.7	3.6%	5.6%	-.%	-.%	-.%
Custom Benchmark ⁴⁵		3.5%	7.2%	4.8%	5.2%	6.6%
Opportunistic ⁴⁶	2.6	0.3%	11.2%	17.7%	23.4%	-.%
Internal High Yield Bonds	0.5	2.4%	6.1%	14.1%	21.5%	-.%
External High Yield	1.1	-5.4%	3.1%	6.9%	11.8%	-.%
Citigroup High Yield Cash Pay		-0.9%	2.4%	5.1%	10.7%	-.%
Special Investments	1.1	2.7%	6.3%	5.5%	5.3%	5.8%
External International Fixed Income	7.5	3.7%	10.8%	2.6%	7.8%	6.0%
Custom Benchmark ⁴⁷		3.7%	10.9%	2.7%	7.6%	6.3%
Value Added		0.0%	-0.1%	-0.1%	0.2%	-0.3%
Currency Overlay ⁴⁸						
Pareto Partners	4.1	-2.7%	7.5%	17.0%	18.2%	8.3%
Custom Benchmark		-2.3%	7.4%	11.5%	11.9%	5.4%
Value Added		-0.4%	0.1%	5.5%	6.3%	2.9%
State Street London	2.7	-2.5%	48.7%	30.8%	25.5%	12.1%
Custom Benchmark		-2.3%	7.4%	11.5%	11.9%	5.4%
Value Added		-0.2%	41.3%	19.3%	13.6%	6.7%
Internal Currency Overlay	3.0	-2.4%	6.8%	18.4%	17.5%	-.%
Custom Benchmark		-2.3%	7.4%	11.5%	11.9%	-.%
Value Added		-0.1%	-0.6%	6.9%	5.6%	-.%

⁴³ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁴⁴ The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

⁴⁵ The custom benchmark consists of the Lehman Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.

⁴⁶ Opportunistic includes internal and external high yield. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.

⁴⁷ The custom benchmark consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

⁴⁸ Currency overlay's performance is rolled into the international equity composite, but is shown here since it is managed by fixed income managers.



Total Inflation Linked Performance for PERF
Period Ended 12-31-07

Inflation Linked Performance						
	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Inflation Linked	1.9	4.1%	-.-%	-.-%	-.-%	-.-%
<i>CPI + 400 BP</i>		1.3%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		2.8%	-.-%	-.-%	-.-%	-.-%
Commodities Collateral	0.5	0.9%	-.-%	-.-%	-.-%	-.-%
<i>Blended LIBOR Fed Fund Index</i>		1.1%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-0.2%	-.-%	-.-%	-.-%	-.-%
Commodities Overlay	0.0	10.6%	-.-%	-.-%	-.-%	-.-%
<i>Goldman Sachs Commodity Excess Return Index</i>		10.6%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		0.0%	-.-%	-.-%	-.-%	-.-%
Forestland	1.3	-1.8%	-.-%	-.-%	-.-%	-.-%
<i>CPI + 500 BP</i>		1.6%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-3.4%	-.-%	-.-%	-.-%	-.-%
Infrastructure	0.1	3.3%	-.-%	-.-%	-.-%	-.-%
<i>CPI + 500 BP</i>		1.6%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		1.7%	-.-%	-.-%	-.-%	-.-%

- ◆ CalPERS Inflation Linked performance outperformed its benchmark of the CPI + 400 bp for the quarter.



Total Real Estate Review for PERF Period Ended 12/31/07

Real Estate Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Estate	8.2%	8.0%	+0.2%

Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁵¹	PAR ⁵²	5-year Sharpe Ratio ⁵³
Total Real Estate ⁴⁹	20.8	-0.2%	9.5%	24.2%	20.1%	15.4%	\$517 mil	0.6	2.6
NCREIF Property Index Lagged ⁵⁰		3.6%	17.3%	18.0%	14.8%	13.1%			3.9
TUCS Real Estate Median		1.4%	11.2%	16.0%	16.3%	12.8%			
Total Core Real Estate	10.3	3.1%	16.7%	28.2%	21.6%	16.8%			
Core Real Estate Private	10.3	3.1%	16.6%	28.3%	21.5%	16.9%			
Total Special Real Estate	10.5	-3.5%	2.0%	18.6%	18.9%	12.3%			

- ◆ CalPERS' real estate composite produced a return of -0.2% during the quarter, underperforming the lagged NCREIF Property Index return of 3.6%. Over the long term the composite has added value and outperformed both the NCREIF and the TUCS real estate median.

⁴⁹ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁵⁰ The performance of CalPERS' real estate segment is lagged one quarter. Therefore, the NCREIF Property Index is lagged one quarter as well to provide a better comparison.

⁵¹ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

⁵² PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

⁵³ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



AIM Program Review for PERF Period Ended 12/31/07

AIM Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
AIM	8.1%	6.0%	+2.1%

AIM Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁵⁶	PAR ⁵⁷	5-year Sharpe Ratio ⁵⁸
AIM Program ⁵⁴	20.4	0.1%	25.8%	23.2%	17.6%	12.4%	\$149 mil	0.8%	1.9
Policy Index ⁵⁵		4.7%	17.5%	18.3%	13.1%	6.1%			2.2
Value Added		-4.6%	8.3%	4.9%	4.5%	6.3%			
Long-Term Policy						11.1%			
AIM Partnership Investments	20.3	0.2%	26.0%	23.4%	17.6%	12.1%			
AIM Distribution Stock	0.1	-16.6%	-5.6%	3.7%	13.7%	-.%			

- ◆ The AIM program underperformed its objective over the quarter but has outperformed for all longer periods.

Cash Program Review for PERF

Cash Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Cash	0.6%	0.0%	+0.6%

Cash Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Equitized Cash Composite ⁵⁹	1.6	-0.6%	1.7%	3.4%	2.6%	3.8%
Policy Index ⁶⁰		1.2%	5.3%	4.5%	6.2%	3.9%
Value Added		-1.8%	-3.6%	-1.1%	-3.6%	-0.1%
Total Cash	1.6	1.3%	5.4%	4.7%	3.3%	4.2%
Cash Equitization	0.0	-2.1%	0.2%	-.%	-.%	-.%

⁵⁴The performance of CalPERS' AIM segment is lagged one quarter.

⁵⁵ The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.

⁵⁶ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return – (1.65 X SD)) X MV).

⁵⁷ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

⁵⁸ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

⁵⁹ Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.

⁶⁰ The Custom STIF Policy Index is a custom index.

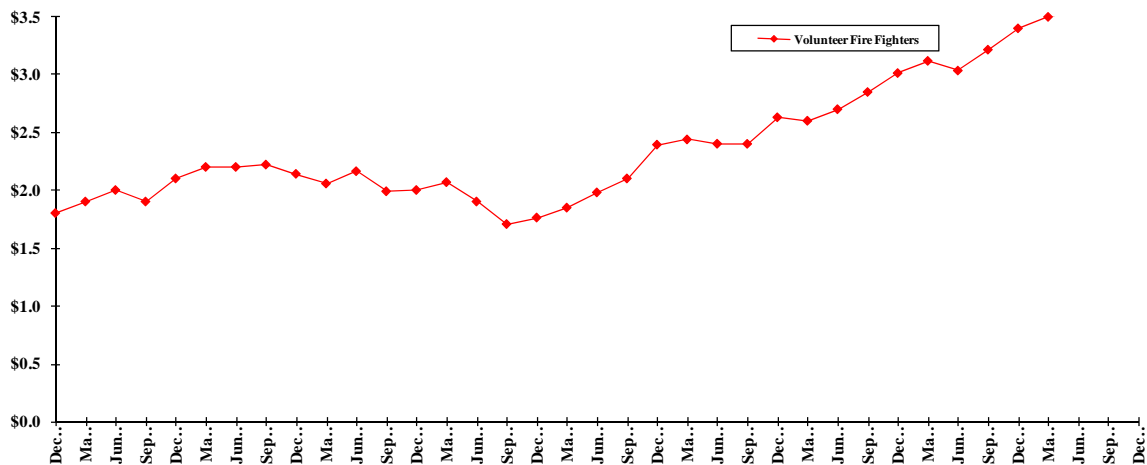
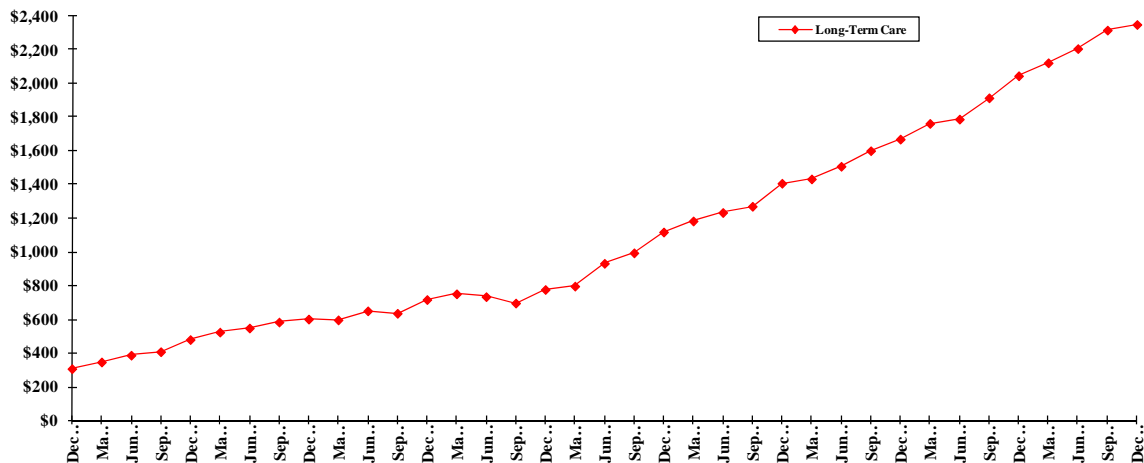
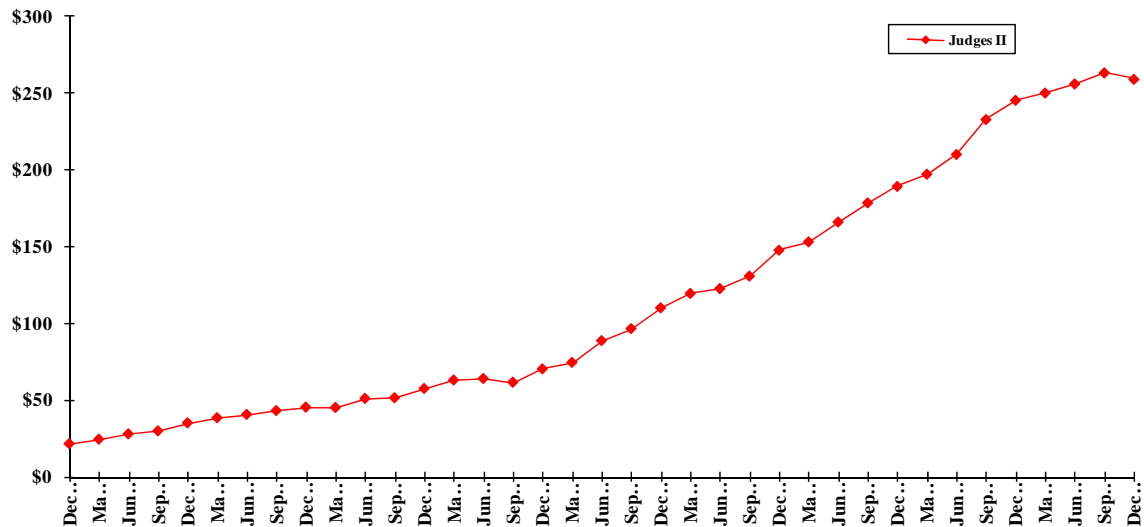


Affiliate Fund Information



Affiliate Fund Performance

Growth in Assets (in \$Millions)



Total Fund Performance Results

Total Fund Performance Periods Ended December 31, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II	\$258.9 mil	-1.6%	5.6%	9.2%	11.7%	7.0%
<i>Weighted Policy Benchmark</i> ⁶¹		-1.6	5.2	8.7	11.3	7.0
Long Term Care ("LTC")	\$2,348.6 mil	-0.6	6.7	8.8	11.6	6.9
<i>Weighted Policy Benchmark</i>		-0.6	6.3	8.1	11.0	6.9
Volunteer Firefighters ("VFF")	\$3.5 mil	-2.2	4.3	9.5	11.6	7.0
<i>Weighted Policy Benchmark</i>		-1.8	4.6	8.9	11.1	7.0
Annuitants Health Care	\$86.7 mil	-1.7	-.	-.	-.	-.
<i>Weighted Policy Benchmark</i>		-2.4	-.	-.	-.	-.
<i>TUCS Public Fund Median</i> ⁶²		-0.7	7.4	9.0	12.1	7.4

Asset Allocation

Judges II Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
US Equities	34.1	34.0	0.1
Int'l Equity	19.7	20.0	-0.3
US Bonds	36.9	36.0	0.9
Real Estate	9.2	10.0	-0.8
Total	100.0	100.0	0.0

LTC Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
US Equities	29.0	29.0	0.0
Int'l Equity	19.0	19.0	0.0
US Bonds	30.2	30.0	0.2
High Yield	9.8	10.0	-0.2
TIPS	7.5	7.0	0.5
Real Estate	4.6	5.0	-0.4
Cash	0.0	0.0	0.0
Total	100.0	100.0	0.0

VFF Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
US Equities	33.7	34.0	-0.3
Int'l Equity	19.7	20.0	-0.3
US Bonds	36.8	36.0	0.8
Real Estate	9.6	10.0	-0.4
Cash	0.2	0.0	0.2
Total	100.0	100.0	0.0

⁶¹ The weighted policy benchmark returns for Judges II, LTC, and VFF are based on asset class index returns weighted by asset class policy targets.

⁶² The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolios returns subdivided by client type and asset class.



Commentary

- ◆ Judges II generated a total return of -1.6% during the fourth quarter, matching its weighted policy benchmark and has outperformed over all other measured periods. LTC returned -0.6% for the same period, also matching its policy benchmark and is performing well over the long term. VFF produced a return of -2.2% during the fourth quarter and underperformed its policy benchmark.
- ◆ Among the three plans, Judges II had the highest allocation in U.S. equity at 34.1%, LTC had the highest allocation in fixed income at 47.5% and VFF had the highest allocation to real estate at 9.6%.

U.S. Equity Performance

U.S. Equity Performance Periods Ended December 31, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II U.S. Equity <i>Custom Benchmark</i> ⁶³	\$88.3 mil	-3.4%	5.4%	8.4%	12.7%	5.8%
		-3.5	5.3	8.4	12.6	5.8
LTC U.S. Equity <i>Custom Benchmark</i> ⁶³	\$681.0	-3.4	5.4	8.5	12.7	5.8
		-3.5	5.3	8.4	12.6	5.8
VFF U.S. Equity <i>Custom Benchmark</i> ⁶⁴	\$1.2	-4.1	4.1	8.5	12.7	5.8
		-3.4	5.1	8.5	12.7	5.8
<i>TUCS Equity Median</i>		-3.4	5.3	9.2	14.9	8.1

Commentary

- ◆ The Judges II and LTC equity funds, which are invested in the Custom S&P 500 ex-Tobacco Index Fund, produced a return of -3.4% for the quarter, slightly outpacing their custom benchmark and continue to add value over the long run. The VFF equity portfolio, which holds the exchange traded Russell 3000 Index fund, returned -4.1% for the quarter and trailed its benchmark, the Russell 3000 Index, though the fund continues to track closely to its benchmark over the longer-term periods.

⁶³ A tobacco-free S&P 500 is used as the benchmark for the U.S. equity segments of Judges II and LTC starting with February 2001 performance.
⁶⁴ The benchmark is Russell 3000 from July 2005 and on. Prior of that the benchmark was the tobacco-free S&P 500 Index.



International Equity Performance

International Equity Performance Periods Ended December 31, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II Int'l Equity	\$51.0 mil	-1.3%	13.6%	17.8%	22.2%	9.1%
<i>Custom Benchmark</i> ⁶⁵		-1.3	13.5	17.5	22.0	8.9
LTC Int'l Equity	\$446.0	-1.3	13.6	17.5	21.9	9.0
<i>Custom Benchmark</i> ⁶⁵		-1.3	13.5	17.5	22.0	8.8
VFF Int'l Equity	\$0.7	-2.5	9.8	-.	-.	-.
<i>MSCI EAFE</i>		-1.8	11.2	-.	-.	-.

Commentary

- ◆ The Judges II and LTC international equity funds returned -1.3% during the fourth quarter and matched their custom benchmark, the FTSE Developed World ex-US & Tobacco Index. Both funds continue to track very closely to their benchmark and have added value over the long term. The VFF international equity fund generated a return of -2.5% for the quarter, underperforming its benchmark, the MSCI EAFE Index. The VFF fund has also underperformed over the one-year period.

⁶⁵ Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was MSCI EAFE Index (Net).



Total Fixed Income

Fixed Income Performance Periods Ended December 31, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II Fixed Income	\$95.6 mil	3.5%	7.3%	4.9%	5.2%	6.1%
LTC Fixed Income	\$708.3	3.5	7.1	5.3	5.4	6.3
<i>Lehman Long Liability</i>		3.3	4.6	4.2	-.	-.
VFF Fixed Income	\$1.3	2.8	6.6	5.7	5.7	6.4
<i>Lehman Aggregate</i>		3.0	7.0	4.6	4.4	6.0
LTC High Yield	\$229.9	-1.5	2.2	-.	-.	-.
<i>Lehman Long Liability High Yield</i>		-0.9	2.5	-.	-.	-.
LTC TIPS	\$175.0	4.6	11.0	-.	-.	-.
<i>Lehman Long Liability TIPS</i>		5.0	11.5	-.	-.	-.

Commentary

- ◆ The Judges II fixed income portfolio, which includes Affiliate high yield and TIPS issues, beat the Lehman Long Liability Index for the quarter and has done so for all other measured periods shown. The LTC fixed income portfolio, which excludes high yield and TIPS issues, also beat the Lehman Long Liability Index for the quarter. VFF portfolio holds iShares of the Lehman Aggregate ETF; the fund has underperformed for the quarter, though still added value over the three-, five-, and ten-year periods.
- ◆ LTC's high yield portfolio underperformed its benchmark, the Lehman Long Liability High Yield Index, returning -1.5%. The LTC TIPS portfolio, benchmarked against the Lehman Long Liability TIPS Index, also underperformed during the quarter. Both the high yield and TIPS portfolios have trailed their respective benchmarks over the one-year period.



Total Real Estate

Real Estate Performance Periods Ended December 31, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
Judges II REIT	\$23.9 mil	-13.7%	-17.8%	6.6%	-.-
LTC REIT	108.2 mil	-13.6	-17.6	-.-	-.-
VFF REIT	0.3 mil	-13.9	-17.9	6.5	-.-
<i>Custom Benchmark⁶⁶</i>		-13.7	-17.9	8.4	-.-
<i>DJ Wilshire RESI</i>		-13.7	-17.7	8.3	18.6
<i>TUCS Real Estate Median</i>		1.4	11.2	16.0	16.3

Commentary

- ◆ The three Plans' REIT portfolios, benchmarked against the Dow Jones Wilshire Real Estate Securities Index (RESI), produced mixed results in the fourth quarter: Judges II's portfolio matched the index performance, the LTC portfolio slightly outpaced the index, while the VFF portfolio underperformed the index. Over the three-year period, the Judges II and VFF REIT portfolios have also lagged their custom benchmark.

⁶⁶ Current benchmark is the DJ Wilshire RESI index. Historically, it has been the DJ Wilshire REIT Index.

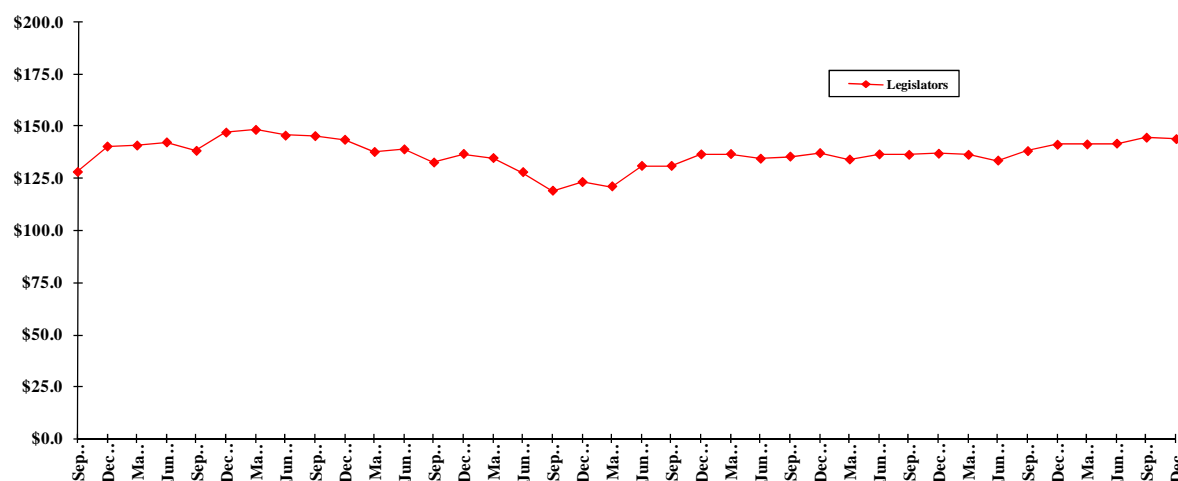


Legislators' Information



California Legislators' Retirement System

Growth in Assets



Total Fund Performance Results

Total Fund Performance Periods Ended December 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS	\$144.0 mil	1.0%	7.9%	7.5%	9.5%	7.2%
<i>Weighted Policy Benchmark</i> ⁶⁷		1.1	7.7	7.3	9.3	7.4
<i>TUCS Public Fund Median</i> ⁶⁸		-0.7	7.4	9.0	12.1	7.4

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	29.3%	30.0%	-0.7%
International Equity	9.7	10.0	-0.3
US Bonds	50.3	50.0	0.3
TIPS	10.8	10.0	0.8
Cash Equivalents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	100.0	100.0	0.0

⁶⁷ The weighted policy benchmark returns are based on asset class index returns weighted by asset class policy targets.

⁶⁸ The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.



Commentary

- ◆ The California Legislators' Retirement System ('LRS, the System') generated a return of 1.0% for the fourth quarter of 2007, slightly trailing its weighted policy benchmark. Over the long term, the LRS portfolio has beaten its policy benchmark for all time periods with the exception of the 10-year period. The LRS's portfolio outperformed versus the TUCS Public Fund Median for the quarter but has lagged it for all other measured periods shown.

LRS Internal U.S. Equity Assets

LRS Internal U.S. Equity Performance Periods Ended December 31, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS U.S. Equity	\$42.1 mil	-3.4%	5.4%	8.5%	12.7%	5.8%
<i>Custom S&P 500 Index</i> ⁶⁹		-3.5	5.3	8.4	12.6	5.8
<i>TUCS Equity Median</i>		-3.4	5.3	9.2	14.9	8.1

Commentary

- ◆ The System's U.S. equity portfolio generated a return of -3.4% for the quarter, outpacing its custom benchmark, the S&P 500 ex-Tobacco Index, and continues to add value over the long term.

International Equity Performance

Total International Equity Performance Periods Ended December 31, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS International	\$13.9 mil	-1.3%	13.6%	17.7%	22.4%	9.1%
<i>Custom Benchmark</i> ⁷⁰		-1.3	13.5	17.5	22.0	8.9

Commentary

- ◆ The System's international equity portfolio mirrored its custom benchmark, the FTSE Developed World ex-U.S. & Tobacco Index during the fourth quarter and returned -1.3%. The portfolio has consistently outperformed its benchmark over all longer-term periods shown above.

⁶⁹ A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of LRS starting with the February 2001 performance.

⁷⁰ Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was MSCI EAFE Index (Net).



Total Fixed Income

Total Fixed Income Performance Periods Ended December 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS Fixed Income	\$77.7 mil	3.5%	7.2%	5.0%	5.2%	6.2%
<i>Custom Benchmark ⁷¹</i>		3.5	7.1	4.9	5.3	6.6
LRS TIPS	\$10.2 mil	4.6	11.0	3.6	-.-	-.-
<i>Custom Benchmark ⁷²</i>		4.5	4.2	4.2	-.-	-.-

Commentary

- ◆ The LRS fixed income portfolio generated a return of 3.8% for the quarter, outperforming its custom benchmark, the Lehman Long Liability ex-TIPS Index. The portfolio has outperformed versus its benchmark for all periods greater than one year.
- ◆ The System's TIPS portfolio returned 4.6%, outperforming versus its benchmark the Lehman Long Liability TIPS Index for the quarter. The portfolio has outperformed its benchmark or equaled its benchmark for all time periods.

⁷¹ The current benchmark is the Lehman Long Liability. Lehman Long Liability ex TIPS was used as the benchmark starting July 2005 until May 2007. Prior of that the benchmark was Citigroup LPF.

⁷² The current benchmark is the Lehman Long Liability. Lehman Long Liability ex TIPS was used as the benchmark starting July 2005 until May 2007. Prior of that the benchmark was Citigroup LPF.



Annuitants Healthcare Plan



Annuitants HealthCare

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	28.7%	35.0%	-6.4%
International Equity	26.7	29.0	-2.3
US Bonds	17.3	20.0	-2.7
High Yield	2.6	6.0	-3.4
REITS	8.1	10.0	-1.9
Cash Equivalents	<u>16.7</u>	<u>0.0</u>	<u>+16.7</u>
	100.0	100.0	0.0

Total Fund Performance Results

Total Fund Performance Periods Ended December 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Total Fund	\$86.7 mil	-1.7%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		-2.4	-.-%	-.-%	-.-%	-.-%
Domestic Equity	24.9 mil	-3.4	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		-3.5	-.-%	-.-%	-.-%	-.-%
International Equity	23.2 mil	-1.3	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		-1.3	-.-%	-.-%	-.-%	-.-%
REITS	7.1 mil	-14.2	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		-13.7	-.-%	-.-%	-.-%	-.-%
Fixed Income	15.0 mil	3.5	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		3.5	-.-%	-.-%	-.-%	-.-%
Health care Bond Fund	0.4 mil	2.8	-.-%	-.-%	-.-%	-.-%
<i>Lehman Brothers Aggregate</i>		3.0	-.-%	-.-%	-.-%	-.-%
High Yield	2.2 mil	-1.5	-.-%	-.-%	-.-%	-.-%
Cash	14.5 mil	1.3	-.-%	-.-%	-.-%	-.-%



Supplemental Income Plans



Supplemental Income Plan Performance

Total Fund Performance Results- Supplemental Contribution Plan

Periods Ended December 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year
Total Fund	\$22.7 mil	-0.8%	7.9%	9.6%	12.3%
<i>Weighted Policy</i>		-1.1	7.5	9.1	12.2
SCP Equity Fund	\$11.9 mil	-3.4	5.4	8.5	12.7
<i>PERS S&P 500</i>		-3.5	5.2	8.4	12.3
SCP International Fund	\$4.6 mil	-1.3	13.6	17.7	22.1
<i>Custom Benchmark</i>		-1.3	13.5	17.5	22.0
SCP Fixed Fund	\$6.4 mil	3.5	7.2	5.0	5.2
<i>Custom Benchmark</i>		3.5	7.2	7.9	5.3
SCP Short Term Fund	\$0.0 mil	1.2	4.9	3.7	2.6
International index	\$69 thous	--	--	--	--
<i>FTSE Developed World Ex-US</i>		--	--	--	--
Small/Mid Equity Index	19.9 thous	--	--	--	--
<i>Russell 2500</i>		--	--	--	--
SSgA Age-Based 2010	8.3 thous	--	--	--	--
<i>Custom SSgA Index</i>		--	--	--	--
SSgA Age-Based 2020	48.2 thous	--	--	--	--
<i>Custom SSgA Index</i>		--	--	--	--
SSgA International Alpha Select	1.8 thous	--	--	--	--
<i>MSCI EAFE Index</i>		--	--	--	--
TIPS Securities Fund	68.2 thous	--	--	--	--
<i>Lehman TIPS Index</i>		--	--	--	--
Total Return Bond Fund	1.2 thous	--	--	--	--
<i>Lehman Government 1-3 Years</i>		--	--	--	--
Turner Large Cap Growth	1.9 thous	--	--	--	--
<i>Russell 1000 Growth</i>		--	--	--	--
Aggressive Asset Allocation	5.4 thous	--	--	--	--



<i>SSgA Growth Index</i>		-.-	-.-	-.-	-.-
Conservative Asset Allocation	19.9 thous	-.-	-.-	-.-	-.-
<i>SSgA Income and Growth Index</i>		-.-	-.-	-.-	-.-
S&P 500 Equity Index Fund	212.7 thous	-.-	-.-	-.-	-.-
<i>S&P 500 Index</i>		-.-	-.-	-.-	-.-



CalPERS Deferred Compensation Plan
Historical Performance
Periods Ended December 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
U.S. Equity Option	\$140.3 mil	-3.3%	5.8%	8.8%	12.9%	5.8%
Custom S&P 500 Index		-3.3	5.5	8.6	12.8	5.9

CalPERS 457 Program Net Funds
Periods Ended December 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
SSgA Stable Fixed Income	\$125.9 mil	1.0	4.3	4.1	4.0	4.6
<i>Lehman Bros Government 1-3</i>		2.3	7.1	4.3	3.2	4.8
S&P 500 Equity Fund	132.5 mil	-3.4	5.4	8.4	12.5	5.5
<i>S&P 500 Index</i>		-3.3	5.5	8.6	12.8	5.9
Conservative Asset Allocation	23.4 mil	0.2	5.6	5.9	7.8	5.2
<i>Benchmark</i>		0.6	6.7	5.8	8.5	6.5
Moderate Asset Allocation	96.0 mil	-1.0	5.8	7.5	10.4	5.6
<i>Benchmark</i>		-0.6	6.6	8.0	10.8	6.7
Aggressive Asset Allocation	38.3 mil	-2.2	5.6	8.6	12.4	5.4
<i>Benchmark</i>		-1.8	6.5	9.3	13.0	6.8
Alliance Bernstein Large Cap	0.9 mil	-5.0	--	--	--	--
<i>Russell 1000 Value</i>		-5.8				
Turner Large Cap Growth	46.9 mil	4.3	--	--	--	--
<i>Russell 1000 Growth</i>		-0.8				
Small/Mid Equity Index	94.6 mil	-4.3	--	--	--	--
<i>Russell 2500 Index</i>		-4.3				
Total Return Bond Fund	29.5 mil	2.7	--	--	--	--
<i>Lehman Brothers Aggregate</i>		3.0				
TIPs Securities	2.2 mil	4.5	--	--	--	--
<i>Lehman Brothers US Tips</i>		5.0				
SSgA Age-Based Income	2.5 mil	0.8	--	--	--	--
<i>Custom Index</i>		0.9				
SSgA Age Based 2010	4.9 mil	0.3	--	--	--	--
<i>Custom Index</i>		0.5				
SSgA Age Based 2020	3.5 mil	-0.8	--	--	--	--
<i>Custom Index</i>		-0.7				
SSgA Age Based 2030	1.3 mil	-1.7	--	--	--	--
<i>Custom Index</i>		-1.5				

CalPERS
Performance Analysis
December 31, 2007

SSgA Age Based 2040	0.7 mil	-2.0	-.-	-.-	-.-	-.-
<i>Custom Index</i>		-1.8				
International Index	6.1 mil	-1.4				
<i>Custom Index</i>		-1.1				
SSga Interational Alpha Select	42.0 mil	-3.7				
<i>Custom Index</i>		-1.8				

CalPERS Peace Officers & Fire Fighters Defined Contribution Plan Account
Periods Ended December 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
SSgA Balanced Growth Fund	\$352.8 mil	-1.1%	5.3%	7.2%	10.0%	-.-
<i>Index</i>		-0.6	6.6	8.0	10.8	



APPENDIX for Supplemental



CalPERS 457 Program Custom Funds for the City of Anaheim
Periods Ended December 31, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Stable Fixed Income Fund	10.0 mil	1.1%	4.6%	4.4%	4.3%	4.9%
<i>Lehman Bros Government 1-3</i>		2.3	7.1	4.3	3.2	4.8
Conservative Asset Allocation	0.0 mil	-.	-.	-.	-.	-.
<i>SSgA Income and Growth index</i>		-.	-.	-.	-.	-.
Moderate Asset Allocation	0.2 mil	-.	-.	-.	-.	-.
<i>SSgA Balanced Growth Index</i>		-.	-.	-.	-.	-.
Aggressive Asset Allocation	0.0 mil	-.	-.	-.	-.	-.
<i>SSgA Growth Index</i>		-.	-.	-.	-.	-.
CalPERS S&P 500 Index Fund	7.8 mil	-3.3	5.7	8.7	12.8	5.9
<i>S&P 500</i>		-3.3	5.5	8.6	12.8	5.9
Small/Mid Equity Index	2.7 mil	-.	-.	-.	-.	-.
<i>Russell 2500</i>		-.	-.	-.	-.	-.
Total Return Bond Fund	1.3 mil	2.9	6.8	-.	-.	-.
<i>Lehman Aggregate Bond</i>		3.0	7.0	-.	-.	-.
TIPS Securities	0.0mil	-.	-.	-.	-.	-.
<i>Lehman US TIPS</i>		-.	-.	-.	-.	-.
SSgA Age Based Income Fund	2.2 mil	0.8	6.0			
<i>Benchmark</i>		0.9	6.5			
SSgA Age Based 2010	2.8 mil	0.4	6.5	-.	-.	-.
<i>Benchmark</i>		0.5	7.3	-.	-.	-.
SSgA Age Based 2020	1.9 mil	-0.8	7.2	-.	-.	-.
<i>Benchmark</i>		-0.7	8.0	-.	-.	-.
SSgA Age Based 2030	0.8 mil	-1.6	7.3	-.	-.	-.
<i>Benchmark</i>		-1.5	7.9	-.	-.	-.
SSgA Age Based 2040	0.2 mil	-1.9	7.7	-.	-.	-.
<i>Benchmark</i>		-1.8	8.3	-.	-.	-.
International Index	0.8 mil	-.	-.	-.	-.	-.
<i>FTSE Developed World Ex-US</i>		-.	-.	-.	-.	-.
SSgA International Alpha Select	2.0 mil	-.	-.	-.	-.	-.



<i>MSCI EAFE Index</i>		-.-	-.-	-.-	-.-	-.-
Alliance Bernstein Large Cap	0.6 mil	-.-	-.-	-.-	-.-	-.-
<i>Russell 1000 Value</i>		-.-	-.-	-.-	-.-	-.-
Turner Large Cap Growth	3.3 mil	-.-	-.-	-.-	-.-	-.-
<i>Russell 1000 Growth</i>		-.-	-.-	-.-	-.-	-.-
Mid Cap Equity	0.3 mil	-14.1	-8.4	-.-	-.-	-.-
<i>Russell Mid Cap Index</i>		-3.6	5.6	-.-	-.-	-.-
Mid Cap Select	0.4 mil	-1.5	19.3	-.-	-.-	-.-
<i>Russell Mid Cap Index</i>		-3.6	5.6	-.-	-.-	-.-
Small Cap Growth Fund	3.9 mil	-5.2	5.2	-.-	-.-	-.-
<i>Russell 2000 Growth</i>		-2.1	7.1	-.-	-.-	-.-



APPENDIX for PERF



External Manager Performance Review Domestic Equity - Core

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Active External Mainstream Mgrs	4.7	-2.0%	7.8%	9.7%	14.6%	5.8%	6/98
Domestic External Core							
Smith Asset Large Cap (MDP)	0.2	-1.2%	15.3%	13.3%	-.%	13.3%	12/03
Custom Benchmark		-3.4%	5.7%	8.7%	-.%	9.2%	
Value Added		2.2%	9.6%	4.6%	-.%	4.1%	
Performance Objective		-2.9%	7.7%	10.7%	-.%	11.2%	
Value Added		1.7%	7.6%	2.6%	-.%	2.1%	

Domestic Equity – Long/Short

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Long/Short	3.1	-3.8%	-.%	-.%	-.%	-4.4%	6/07
Long/Short Funds							
Analytic Investors	1.0	-0.5%	-.%	-.%	-.%	-2.3%	6/07
Russell 1000 Ex-Tobacco, Ex-REIT		-3.2%	-.%	-.%	-.%	-1.3%	
Value Added		2.7%	-.%	-.%	-.%	-1.0%	
Performance Objective		-2.5%	-.%	-.%	-.%	0.2%	
Value Added		2.0%	-.%	-.%	-.%	-2.5%	
SSGA Long/Short	1.0	-6.1%	-.%	-.%	-.%	-7.6%	6/07
Russell 1000 Ex-Tobacco, Ex-REIT		-3.2%	-.%	-.%	-.%	-1.3%	
Value Added		-2.9%	-.%	-.%	-.%	-6.3%	
Performance Objective		-2.7%	-.%	-.%	-.%	-0.3%	
Value Added		-3.4%	-.%	-.%	-.%	-7.3%	
Quantitative Long/Short	1.1	-4.7%	-.%	-.%	-.%	-3.4%	6/07
Russell 1000 Ex-Tobacco, Ex-REIT		-3.2%	-.%	-.%	-.%	-1.3%	
Value Added		-1.5%	-.%	-.%	-.%	-2.1%	
Performance Objective		-2.6%	-.%	-.%	-.%	0.0%	
Value Added		-2.1%	-.%	-.%	-.%	-3.4%	



External Manager Performance Review (continued)

Domestic Equity – Growth

Active External Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	4.7	-2.0%	7.8%	9.7%	14.6%	5.8%	6/98
Domestic External Growth							
Geewax Terker	0.6	0.2%	15.2%	8.6%	11.7%	1.5%	6/98
Custom Benchmark		-1.1%	10.2%	7.7%	10.9%	1.4%	
Value Added		1.3%	5.0%	0.9%	0.8%	0.1%	
Performance Objective		-0.8%	11.4%	9.0%	12.2%	2.7%	
Value Added		1.0%	3.8%	-0.4%	-0.5%	-1.2%	
Jacobs Levy Large Cap Growth	0.6	0.8%	10.8%	-.-%	-.-%	10.8%	12/06
Custom Benchmark		-0.8%	11.9%	-.-%	-.-%	11.9%	
Value Added		1.6%	-1.1%	-.-%	-.-%	-1.1%	
Performance Objective		-0.3%	13.8%	-.-%	-.-%	13.8%	
Value Added		1.1%	-3.0%	-.-%	-.-%	-3.0%	
Marvin & Palmer Large Cap Growth	0.6	6.2%	26.8%	-.-%	-.-%	26.8%	12/06
Custom Benchmark		-0.8%	11.9%	-.-%	-.-%	11.9%	
Value Added		7.0%	14.9%	-.-%	-.-%	14.9%	
Performance Objective		-0.4%	13.4%	-.-%	-.-%	13.4%	
Value Added		6.6%	13.4%	-.-%	-.-%	13.4%	
Rigel - Large Growth (MDP)	0.2	2.4%	18.7%	11.0%	-.-%	11.3%	12/03
Custom Benchmark		-0.8%	12.0%	8.7%	-.-%	8.1%	
Value Added		3.2%	6.7%	2.3%	-.-%	3.2%	
Performance Objective		-0.3%	14.0%	10.7%	-.-%	10.1%	
Value Added		2.7%	4.7%	0.3%	-.-%	1.2%	
Stux (MDP)	0.3	-3.0%	6.7%	9.8%	-.-%	9.7%	3/04
Custom Benchmark		-3.2%	6.1%	9.2%	-.-%	9.9%	
Value Added		0.2%	0.6%	0.6%	-.-%	-0.2%	
Performance Objective		-2.9%	7.6%	10.7%	-.-%	11.4%	
Value Added		-0.1%	-0.9%	-0.9%	-.-%	-1.7%	
Turner Large Cap Growth	0.6	3.7%	23.1%	-.-%	-.-%	23.1%	12/06
Custom Benchmark		-0.8%	11.9%	-.-%	-.-%	11.9%	
Value Added		4.5%	11.2%	-.-%	-.-%	11.2%	
Performance Objective		-0.4%	13.4%	-.-%	-.-%	13.4%	
Value Added		4.1%	9.7%	-.-%	-.-%	9.7%	



External Manager Performance Review (continued)

Domestic Equity – Value

Active External Mainstream Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	4.7	-2.0%	7.8%	9.7%	14.6%	5.8%	6/98
Domestic External Value							
Alliance Bernstein	0.8	-6.0%	-2.1%	9.5%	14.9%	11.2%	9/04
<i>Custom Benchmark</i>		-5.8%	0.1%	9.1%	15.6%	7.9%	
<i>Value Added</i>		-0.2%	-2.2%	0.4%	-0.7%	3.3%	
<i>Performance Objective</i>		-5.5%	1.4%	10.4%	16.8%	9.1%	
<i>Value Added</i>		-0.5%	-3.5%	-0.9%	-1.9%	2.1%	
The Boston Company	0.8	-2.3%	7.1%	12.5%	19.4%	9.1%	6/98
<i>Custom Benchmark</i>		-5.8%	0.1%	8.5%	15.0%	7.3%	
<i>Value Added</i>		3.5%	7.0%	4.0%	4.4%	1.8%	
<i>Performance Objective</i>		-5.5%	1.4%	9.7%	16.2%	8.5%	
<i>Value Added</i>		3.2%	5.7%	2.8%	3.2%	0.6%	
Denali Advisors (MDP)	0.1	-3.6%	4.5%	11.7%	16.3%	7.5%	6/01
<i>Custom Benchmark</i>		-5.8%	2.5%	10.3%	15.5%	7.8%	
<i>Value Added</i>		2.2%	2.0%	1.4%	0.8%	-0.3%	
<i>Performance Objective</i>		-5.3%	4.5%	12.3%	17.5%	9.8%	
<i>Value Added</i>		1.7%	0.0%	-0.6%	-1.2%	-2.3%	
Denali Mid Value	0.1	-2.9%	-.%	-.%	-.%	-2.9%	9/07
<i>Custom Benchmark</i>		-3.1%	-.%	-.%	-.%	-3.1%	
<i>Value Added</i>		0.2%	-.%	-.%	-.%	0.2%	
Pzena	0.7	-11.3%	-10.2%	4.5%	14.2%	13.6%	9/00
<i>Custom Benchmark</i>		-5.8%	0.1%	9.1%	17.1%	10.7%	
<i>Value Added</i>		-5.5%	-10.3%	-4.6%	-2.9%	2.9%	
<i>Performance Objective</i>		-5.5%	1.4%	10.3%	18.4%	12.0%	
<i>Value Added</i>		-5.8%	-11.6%	-5.8%	-4.2%	1.6%	
Shenandoah (MDP)	0.2	-2.7%	6.7%	9.7%	16.9%	10.2%	3/01
<i>Custom Benchmark</i>		-3.1%	8.5%	10.4%	16.3%	11.0%	
<i>Value Added</i>		0.4%	-1.8%	-0.7%	0.6%	-0.8%	
<i>Performance Objective</i>		-2.6%	10.5%	12.4%	18.3%	13.0%	
<i>Value Added</i>		-0.1%	-3.8%	-2.7%	-1.4%	-2.8%	
Smith Asset Small Cap (MDP)	0.1	-8.6%	-2.6%	7.1%	-.%	10.8%	12/03
<i>Custom Benchmark</i>		-4.0%	2.8%	7.6%	-.%	14.5%	
<i>Value Added</i>		-4.6%	-5.4%	-0.5%	-.%	-3.7%	
<i>Performance Objective</i>		-3.4%	5.3%	10.1%	-.%	17.0%	
<i>Value Added</i>		-5.2%	-7.9%	-3.0%	-.%	-6.2%	



External Manager Performance Review (continued)

Domestic Equity – Enhanced

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic Ext. Enhanced	7.2	-4.7%	1.7%	7.6%	-.%	10.0%	9/04
Atlantic Asset Management	0.4	-4.3%	4.1%	7.8%	-.%	7.8%	12/04
<i>Custom Benchmark</i>		-3.3%	5.5%	8.6%	-.%	8.6%	
<i>Value Added</i>		-1.0%	-1.4%	-0.8%	-.%	-0.8%	
<i>Performance Objective</i>		-3.1%	6.5%	9.6%	-.%	9.6%	
<i>Value Added</i>		-1.2%	-2.4%	-1.8%	-.%	-1.8%	
Barclays Global Investors	1.2	-4.4%	-0.1%	-.%	-.%	8.2%	9/05
<i>Custom Benchmark</i>		-3.2%	6.0%	-.%	-.%	10.2%	
<i>Value Added</i>		-1.2%	-6.1%	-.%	-.%	-2.0%	
<i>Performance Objective</i>		-3.0%	7.0%	-.%	-.%	11.2%	
<i>Value Added</i>		-1.4%	-7.1%	-.%	-.%	-3.0%	
Franklin Portfolio Associates	1.1	-4.9%	2.2%	8.1%	-.%	10.5%	9/04
<i>Custom Benchmark</i>		-3.2%	6.0%	8.9%	-.%	11.2%	
<i>Value Added</i>		-1.7%	-3.8%	-0.8%	-.%	-0.7%	
<i>Performance Objective</i>		-3.0%	7.0%	9.9%	-.%	12.2%	
<i>Value Added</i>		-1.9%	-4.8%	-1.8%	-.%	-1.7%	
Golden Capital	0.8	-2.7%	-.%	-.%	-.%	5.6%	3/07
<i>Custom Benchmark</i>		-3.4%	-.%	-.%	-.%	5.0%	
<i>Value Added</i>		0.7%	-.%	-.%	-.%	0.6%	
<i>Performance Objective</i>		-3.1%	-.%	-.%	-.%	5.7%	
<i>Value Added</i>		0.4%	-.%	-.%	-.%	-0.1%	
Goldman Sachs Enhanced	0.4	-7.5%	-12.4%	-.%	-.%	3.0%	3/05
<i>Custom Benchmark</i>		-4.3%	-0.1%	-.%	-.%	9.9%	
<i>Value Added</i>		-3.2%	-12.3%	-.%	-.%	-6.9%	
<i>Performance Objective</i>		-3.9%	1.7%	-.%	-.%	11.6%	
<i>Value Added</i>		-3.6%	-14.1%	-.%	-.%	-8.6%	
INTECH	1.3	-1.7%	7.1%	9.4%	-.%	11.8%	9/04
<i>Custom Benchmark</i>		-3.2%	6.0%	8.9%	-.%	11.2%	
<i>Value Added</i>		1.5%	1.1%	0.5%	-.%	0.6%	
<i>Performance Objective</i>		-3.0%	7.0%	9.9%	-.%	12.2%	
<i>Value Added</i>		1.3%	0.1%	-0.5%	-.%	-0.4%	
Smith Breeden	0.6	-8.9%	-3.8%	5.4%	-.%	5.4%	12/04
<i>Custom Benchmark</i>		-3.3%	5.5%	8.6%	-.%	8.6%	
<i>Value Added</i>		-5.6%	-9.3%	-3.2%	-.%	-3.2%	
<i>Performance Objective</i>		-3.1%	6.5%	9.6%	-.%	9.6%	
<i>Value Added</i>		-5.8%	-10.3%	-4.2%	-.%	-4.2%	



External Manager Performance Review (continued)

Domestic Equity – Enhanced cont'd

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic Ext. Enhanced	7.2	-4.7%	1.7%	7.6%	-.%	10.0%	9/04
T. Rowe Price	0.7	-3.5%	6.0%	-.%	-.%	9.8%	3/06
<i>Custom Benchmark</i>		-3.4%	5.4%	-.%	-.%	9.3%	
<i>Value Added</i>		-0.1%	0.6%	-.%	-.%	0.5%	
<i>Performance Objective</i>		-3.1%	6.6%	-.%	-.%	10.6%	
<i>Value Added</i>		-0.4%	-0.6%	-.%	-.%	-0.8%	
WAMCO	0.6	-8.3%	-2.4%	6.0%	-.%	8.5%	9/04
<i>Custom Benchmark</i>		-3.3%	5.5%	8.6%	-.%	10.9%	
<i>Value Added</i>		-5.0%	-7.9%	-2.6%	-.%	-2.4%	
<i>Performance Objective</i>		-3.1%	6.5%	9.6%	-.%	11.9%	
<i>Value Added</i>		-5.2%	-8.9%	-3.6%	-.%	-3.4%	



External Manager Performance Review (continued)

Domestic Equity – MDP ⁷³

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic MDP	1.1	-2.0%	9.5%	9.5%	14.5%	5.2%	12/00
Total Domestic MDP Ventures	0.0	0.1%	235.4%	159.4%	93.2%	61.3%	3/01
Denali Advisors (MDP)	0.1	-3.6%	4.5%	11.7%	16.3%	7.5%	6/01
<i>Custom Benchmark</i>		-5.8%	2.5%	10.3%	15.5%	7.8%	
<i>Value Added</i>		2.2%	2.0%	1.4%	0.8%	-0.3%	
<i>Performance Objective</i>		-5.3%	4.5%	12.3%	17.5%	9.8%	
<i>Value Added</i>		1.7%	0.0%	-0.6%	-1.2%	-2.3%	
Piedmont (MDP II)	0.1	-2.2%	-.%	-.%	-.%	5.9%	3/07
<i>Custom Benchmark</i>		-3.4%	-.%	-.%	-.%	5.0%	
<i>Value Added</i>		1.2%	-.%	-.%	-.%	0.9%	
<i>Performance Objective</i>		-3.1%	-.%	-.%	-.%	5.7%	
<i>Value Added</i>		0.9%	-.%	-.%	-.%	0.2%	
Rigel - Large Growth (MDP)	0.2	2.4%	18.7%	11.0%	-.%	11.3%	12/03
<i>Custom Benchmark</i>		-0.8%	12.0%	8.7%	-.%	8.1%	
<i>Value Added</i>		3.2%	6.7%	2.3%	-.%	3.2%	
<i>Performance Objective</i>		-0.3%	14.0%	10.7%	-.%	10.1%	
<i>Value Added</i>		2.7%	4.7%	0.3%	-.%	1.2%	
Shenandoah (MDP)	0.2	-2.7%	6.7%	9.7%	16.9%	10.2%	3/01
<i>Custom Benchmark</i>		-3.1%	8.5%	10.4%	16.3%	11.0%	
<i>Value Added</i>		0.4%	-1.8%	-0.7%	0.6%	-0.8%	
<i>Performance Objective</i>		-2.6%	10.5%	12.4%	18.3%	13.0%	
<i>Value Added</i>		-0.1%	-3.8%	-2.7%	-1.4%	-2.8%	
Smith Asset Large Cap (MDP)	0.2	-1.2%	15.3%	13.3%	-.%	13.3%	
<i>Custom Benchmark</i>		-3.4%	5.7%	8.7%	-.%	9.2%	
<i>Value Added</i>		2.2%	9.6%	4.6%	-.%	4.1%	
<i>Performance Objective</i>		-2.9%	7.7%	10.7%	-.%	11.2%	
<i>Value Added</i>		1.7%	7.6%	2.6%	-.%	2.1%	
Smith Asset Small Cap (MDP)	0.1	-8.6%	-2.6%	7.1%	-.%	10.8%	12/03
<i>Custom Benchmark</i>		-4.0%	2.8%	7.6%	-.%	14.5%	
<i>Value Added</i>		-4.6%	-5.4%	-0.5%	-.%	-3.7%	
<i>Performance Objective</i>		-3.4%	5.3%	10.1%	-.%	17.0%	
<i>Value Added</i>		-5.2%	-7.9%	0.0%	-.%	-6.2%	
Stux (MDP)	0.3	-3.0%	6.7%	9.8%	-.%	9.7%	3/04
<i>Custom Benchmark</i>		-3.2%	6.1%	9.2%	-.%	9.9%	
<i>Value Added</i>		0.2%	0.6%	0.6%	-.%	-0.2%	
<i>Performance Objective</i>		-2.9%	7.6%	10.7%	-.%	11.4%	
<i>Value Added</i>		-0.1%	-0.9%	-0.9%	-.%	-1.7%	

⁷³ The MDP managers are listed by style elsewhere in this appendix.



External Manager Performance Review (continued)

Domestic Equity – Corporate Governance

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept	Date
Total Domestic Corporate Governance	2.6	-8.6%	-4.7%	5.4%	14.0%	-17.6%	12/98
Blum Strategic Partners III	0.2	-1.2%	3.9%	-.%	-.%	7.9%	9/05
<i>Custom Benchmark</i>		1.9%	8.0%	-.%	-.%	8.0%	
<i>Value Added</i>		-3.1%	-4.1%	-.%	-.%	-0.1%	
Blum Strategic Partners II	0.0	-13.9%	-.%	-.%	-.%	-16.3%	6/07
<i>Custom Benchmark</i>		1.9%	-.%	-.%	-.%	4.5%	
<i>Value Added</i>		-15.8%	-.%	-.%	-.%	-20.8%	
Blum Strategic Partners IV	0.0	-.%	-.%	-.%	-.%	-.%	12/07
<i>Custom Benchmark</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
Breeden Partners	0.4	-7.3%	-4.3%	-.%	-.%	3.2%	6/06
<i>Custom Benchmark</i>		-3.3%	5.5%	-.%	-.%	12.3%	
<i>Value Added</i>		-4.0%	-9.8%	-.%	-.%	-9.1%	
New Mountain Capital	0.2	-4.3%	-2.1%	-.%	-.%	2.3%	12/05
<i>Custom Benchmark</i>		-3.3%	5.5%	-.%	-.%	10.5%	
<i>Value Added</i>		-1.0%	-7.6%	-.%	-.%	-8.2%	
Internal New Mountain Capital	0.1	-0.2%	20.9%	-.%	-.%	20.9%	12/2006
<i>Custom Benchmark</i>		-3.3%	5.5%	-.%	-.%	5.5%	
<i>Value Added</i>		3.1%	15.4%	-.%	-.%	15.4%	
Relational Investors	1.1	-13.4%	-10.0%	2.6%	12.1%	16.4%	12/98
<i>Custom Benchmark</i>		-3.3%	5.5%	8.6%	12.8%	3.6%	
<i>Value Added</i>		-10.1%	-15.5%	-6.0%	-0.7%	12.8%	
Internal Relational	0.4	-3.7%	3.9%	14.6%	21.8%	24.1%	12/02
<i>Custom Benchmark</i>		-3.3%	5.5%	8.8%	13.5%	13.7%	
<i>Value Added</i>		-0.4%	-1.6%	5.8%	8.3%	10.4%	
Shamrock Partners	0.2	-6.7%	-9.4%	-.%	-.%	5.9%	3/05
<i>Custom Benchmark</i>		-4.6%	-1.6%	-.%	-.%	9.6%	
<i>Value Added</i>		-2.1%	-7.8%	-.%	-.%	-3.7%	

RM ARS–Fund of Funds

	Market Value	Qtr	1 Year	3 Year	5 Year
Total RM ARS Program	7.0	1.8%	9.5%	10.7%	10.8%
47 Degrees North Capital Fund of Emerging Funds	0.1	0.8%	-.%	-.%	-.%
Ermitage European Fund of Funds	0.1	2.1%	3.6%	-.%	-.%
Europanel European Fund of Funds	0.1	1.3%	5.9%	-.%	-.%
KBC Asian Fund of Funds	0.2	-0.1%	7.9%	-.%	-.%
PAAMCO Fund of Emerging Funds	0.2	-.%	-.%	-.%	-.%
Rock Creek fund of Emerging Funds	0.1	-.%	-.%	-.%	-.%
SPARX Asian Fund of Funds	0.1	1.4%	17.0%	-.%	-.%
UBS European Fund of Funds	0.2	-0.4%	3.8%	-.%	-.%
Vision Asian Fund of Funds	0.2	3.3%	14.4%	-.%	-.%



External Manager Performance Review (continued)

Domestic Equity – Environmental

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Environmental	0.3	-3.1%	5.8%	-.-%	-.-%	8.8%	3/05
AXA Rosenberg	0.1	-3.1%	7.3%	-.-%	-.-%	9.0%	3/06
<i>Custom Benchmark</i>		-3.2%	6.0%	-.-%	-.-%	9.3%	
<i>Value Added</i>		0.1%	1.3%	-.-%	-.-%	-0.3%	
<i>Performance Objective</i>		-2.7%	8.0%	-.-%	-.-%	11.3%	
<i>Value Added</i>		-0.4%	-0.7%	-.-%	-.-%	-2.3%	
New Amsterdam Partners	0.1	-2.2%	6.9%	-.-%	-.-%	6.3%	3/06
<i>Custom Benchmark</i>		-3.2%	6.0%	-.-%	-.-%	9.3%	
<i>Value Added</i>		1.0%	0.9%	-.-%	-.-%	-3.0%	
<i>Performance Objective</i>		-2.9%	7.5%	-.-%	-.-%	10.8%	
<i>Value Added</i>		0.7%	-0.6%	-.-%	-.-%	-4.5%	
SSgA Environmental	0.1	-4.0%	2.5%	-.-%	-.-%	10.1%	6/06
<i>Custom Benchmark</i>		-3.4%	5.4%	-.-%	-.-%	12.1%	
<i>Value Added</i>		-0.6%	-2.9%	-.-%	-.-%	-2.0%	



External Manager Performance Review (continued)

International Equity – Core ACWI

Int'l Active Mainstream	Market Value 11.5	Qtr -1.9%	1 Year 15.7%	3 Year 19.9%	5 Year 22.8%	Incept. 8.5%	Date 6/89
Int'l External Core							
Acadian Asset Management	1.4	-4.0%	16.3%	-.-%	-.-%	21.5%	12/05
Custom Benchmark		-0.2%	17.2%	-.-%	-.-%	21.9%	
Value Added		-3.8%	-0.9%	-.-%	-.-%	-0.4%	
Performance Objective		0.3%	19.2%	-.-%	-.-%	23.9%	
Value Added		-4.3%	-2.9%	-.-%	-.-%	-2.4%	
Arrowstreet (Mainstream)	1.3	-2.3%	18.2%	21.0%	-.-%	27.6%	3/03
Custom Benchmark		-0.2%	17.2%	20.1%	-.-%	27.7%	
Value Added		-2.1%	1.0%	0.9%	-.-%	-0.1%	
Performance Objective		0.3%	19.2%	22.1%	-.-%	29.7%	
Value Added		-2.6%	-1.0%	-1.1%	-.-%	-2.1%	
Arrowstreet (MDP)	0.2	-2.7%	17.8%	20.7%	24.6%	10.0%	6/00
Custom Benchmark		-0.2%	17.2%	20.1%	24.2%	7.9%	
Value Added		-2.5%	0.6%	0.6%	0.4%	2.1%	
Performance Objective		0.3%	19.2%	22.1%	26.2%	9.9%	
Value Added		-3.0%	-1.4%	-1.4%	-1.6%	0.1%	
AQR Capital Management	1.3	-2.9%	8.4%	-.-%	-.-%	16.8%	12/05
Custom Benchmark		-1.2%	13.7%	-.-%	-.-%	20.0%	
Value Added		-1.7%	-5.3%	-.-%	-.-%	-3.2%	
Performance Objective		-0.7%	15.7%	-.-%	-.-%	22.0%	
Value Added		-2.2%	-7.3%	-.-%	-.-%	-5.2%	
Barclays	1.5	-2.4%	11.4%	-.-%	-.-%	18.9%	9/05
Custom Benchmark		-1.2%	13.7%	-.-%	-.-%	19.6%	
Value Added		-1.2%	-2.3%	-.-%	-.-%	-0.7%	
Performance Objective		-0.8%	15.2%	-.-%	-.-%	21.1%	
Value Added		-1.6%	-3.8%	-.-%	-.-%	-2.2%	
Baring Int'l Investments	1.0	-1.9%	14.4%	-.-%	-.-%	20.1%	12/05
Custom Benchmark		-1.2%	13.7%	-.-%	-.-%	20.0%	
Value Added		-0.7%	0.7%	-.-%	-.-%	0.1%	
Performance Objective		-0.8%	15.2%	-.-%	-.-%	21.5%	
Value Added		-1.1%	-0.8%	-.-%	-.-%	-1.4%	
Robeco USA	0.7	-1.8%	12.1%	19.0%	22.1%	15.6%	9/01
Custom Benchmark		-0.2%	17.2%	20.1%	24.2%	17.4%	
Value Added		-1.6%	-5.1%	-1.1%	-2.1%	-1.8%	
Performance Objective		0.3%	19.2%	22.1%	26.2%	19.4%	
Value Added		-2.1%	-7.1%	-3.1%	-4.1%	-3.8%	
QMA International	1.1	-3.4%	12.6%	-.-%	-.-%	16.8%	3/06
Custom Benchmark		-1.2%	13.7%	-.-%	-.-%	16.9%	
Value Added		-2.2%	-1.1%	-.-%	-.-%	-0.1%	
Performance Objective		-0.9%	14.7%	-.-%	-.-%	17.9%	
Value Added		-2.5%	-2.1%	-.-%	-.-%	-1.1%	



External Manager Performance Review (continued)

International Equity – Core Europe

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Active Mainstream	11.5	-1.9%	15.7%	19.9%	22.8%	8.5%	6/89
Int'l External Core Europe							
AXA Rosenberg	1.4	-2.7%	10.4%	19.6%	24.7%	13.4%	3/01
<i>Custom Benchmark</i>		-0.1%	15.0%	19.1%	23.3%	12.5%	
<i>Value Added</i>		-2.6%	-4.6%	0.5%	1.4%	0.9%	
<i>Performance Objective</i>		0.4%	17.0%	21.1%	25.3%	14.5%	
<i>Value Added</i>		-3.1%	-6.6%	-1.5%	-0.6%	-1.1%	
Capital Guardian	0.8	-1.5%	11.0%	18.1%	21.8%	12.2%	3/01
<i>Custom Benchmark</i>		-0.1%	15.0%	19.1%	23.3%	12.5%	
<i>Value Added</i>		-1.4%	-4.0%	-1.0%	-1.5%	-0.3%	
<i>Performance Objective</i>		0.4%	17.0%	21.1%	25.3%	14.5%	
<i>Value Added</i>		-1.9%	-6.0%	-3.0%	-3.5%	-2.3%	

International Equity – Environmental

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Environmental	0.2	-2.5%	10.5%	-.%	-.%	16.4%	3/06
Int'l Environmental							
Brandywine	0.1	-1.0%	9.7%	-.%	-.%	17.0%	6/06
<i>Custom Benchmark</i>		-1.2%	13.7%	-.%	-.%	19.3%	
<i>Value Added</i>		0.2%	-4.0%	-.%	-.%	-2.3%	
<i>Performance Objective</i>		-0.7%	15.7%	-.%	-.%	21.3%	
<i>Value Added</i>		-0.3%	-6.0%	-.%	-.%	-4.3%	
SSgA Environmental	0.1	-3.5%	11.1%	-.%	-.%	18.1%	3/06
<i>Custom Benchmark</i>		-1.2%	13.7%	-.%	-.%	16.9%	
<i>Value Added</i>		-2.3%	-2.6%	-.%	-.%	1.2%	
<i>Performance Objective</i>		-0.7%	15.7%	-.%	-.%	18.9%	
<i>Value Added</i>		-2.8%	-4.6%	-.%	-.%	-0.8%	



External Manager Performance Review (continued)

International Equity – Growth & Value

Int'l Active Mainstream	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	11.5	-1.9%	15.7%	19.9%	22.8%	8.5%	6/89
Int'l External Growth							
Alliance Large Cap Growth	0.7	1.6%	20.9%	-.-%	-.-%	20.4%	9/05
Custom Benchmark		-0.2%	17.2%	-.-%	-.-%	21.6%	
Value Added		1.8%	3.7%	-.-%	-.-%	-1.2%	
Performance Objective		0.3%	19.2%	-.-%	-.-%	23.6%	
Value Added		1.3%	1.7%	-.-%	-.-%	-3.2%	
Baillie Gifford	1.3	-0.4%	26.1%	25.3%	26.0%	15.2%	6/01
Custom Benchmark		-0.2%	17.2%	20.1%	24.2%	13.8%	
Value Added		-0.2%	8.9%	5.2%	1.8%	1.4%	
Performance Objective		0.3%	19.2%	22.1%	26.2%	15.8%	
Value Added		-0.7%	6.9%	3.2%	-0.2%	-0.6%	
New Star Institutional Managers	0.7	-0.5%	19.2%	-.-%	-.-%	19.5%	9/05
Custom Benchmark		-0.2%	17.2%	-.-%	-.-%	21.6%	
Value Added		-0.3%	2.0%	-.-%	-.-%	-2.1%	
Performance Objective		0.3%	19.2%	-.-%	-.-%	23.6%	
Value Added		-0.8%	0.0%	-.-%	-.-%	-4.1%	



External Manager Performance Review (continued)

International Equity – Growth & Value cont'd

Int'l Active Mainstream	Market Value 11.5	Qtr -1.9%	1 Year 15.7%	3 Year 19.9%	5 Year 22.8%	Incept. 8.5%	Date 6/89
Int'l External Value ACWI							
Alliance Strategic Value	0.8	-5.3%	6.4%	-.-%	-.-%	20.4%	9/05
Custom Benchmark		-0.2%	17.2%	-.-%	-.-%	21.6%	
Value Added		-5.1%	-10.8%	-.-%	-.-%	-1.2%	
Performance Objective		0.3%	19.2%	-.-%	-.-%	23.6%	
Value Added		-5.6%	-12.8%	-.-%	-.-%	-3.2%	
Grantham, Mayo, Van Otterloo	1.2	-0.6%	13.5%	18.1%	23.7%	15.9%	6/01
Custom Benchmark		-0.2%	17.2%	20.1%	24.2%	13.8%	
Value Added		-0.4%	-3.7%	-2.0%	-0.5%	2.1%	
Performance Objective		0.4%	19.7%	22.5%	26.6%	16.3%	
Value Added		-1.0%	-6.2%	-4.4%	-2.9%	-0.4%	
Pyrford (MDP)	0.1	1.0%	8.7%	14.8%	18.8%	13.0%	12/01
Custom Benchmark		-1.2%	13.7%	18.2%	22.9%	15.6%	
Value Added		2.2%	-5.0%	-3.4%	-4.1%	-2.6%	
Performance Objective		-0.7%	15.7%	20.2%	24.9%	17.6%	
Value Added		1.7%	-7.0%	-5.4%	-6.1%	-4.6%	
Int'l External Value Pacific							
Nomura	1.3	-1.6%	16.8%	19.1%	23.2%	6.1%	9/89
Custom Benchmark		-1.9%	14.8%	17.8%	22.0%	2.1%	
Value Added		0.3%	2.0%	1.3%	1.2%	4.0%	
Performance Objective		-1.4%	16.8%	19.8%	24.0%	4.1%	
Value Added		-0.2%	0.0%	-0.7%	-0.8%	2.0%	



External Manager Performance Review (continued)
International Equity – MDP⁷⁴

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Int'l MDP	0.3	-1.6%	11.6%	16.3%	19.5%	5.7%	6/00
Total Int'l MDP Ventures	0.0	3.3%	47.5%	62.0%	55.8%	31.1%	6/00
Arrowstreet (MDP)	0.2	-2.7%	17.8%	20.7%	24.6%	10.0%	6/00
<i>Custom Benchmark</i>		-0.2%	17.2%	20.1%	24.2%	7.9%	
<i>Value Added</i>		-2.5%	0.6%	0.6%	0.4%	2.1%	
<i>Performance Objective</i>		0.3%	19.2%	22.1%	26.2%	9.9%	
<i>Value Added</i>		-3.0%	-1.4%	-1.4%	-1.6%	0.1%	
Pyrford (MDP)	0.1	1.0%	8.7%	14.8%	18.8%	13.0%	12/01
<i>Custom Benchmark</i>		-1.2%	13.7%	18.2%	22.9%	15.6%	
<i>Value Added</i>		2.2%	-5.0%	-3.4%	-4.1%	-2.6%	
<i>Performance Objective</i>		-0.7%	15.7%	20.2%	24.9%	17.6%	
<i>Value Added</i>		1.7%	-7.0%	-5.4%	-6.1%	-4.6%	

⁷⁴ The MDP managers are also listed by style elsewhere in this appendix.



International Equity – Emerging Markets

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Int'l Emerging Markets	6.3	2.6%	34.8%	31.6%	36.9%	37.3%	9/02
AllianceBernstein	1.5	-1.5%	30.7%	30.1%	38.6%	39.4%	9/02
Custom Benchmark		3.8%	38.4%	33.0%	35.6%	36.1%	
Value Added		-5.3%	-7.7%	-2.9%	3.0%	3.3%	
Performance Objective		4.4%	40.9%	35.5%	38.1%	38.6%	
Value Added		-5.9%	-10.2%	-5.4%	0.5%	0.8%	
Batterymarch	0.6	5.4%	-.-%	-.-%	-.-%	18.8%	6/07
Custom Benchmark		3.8%	-.-%	-.-%	-.-%	14.9%	
Value Added		1.6%	-.-%	-.-%	-.-%	3.9%	
DFA	1.5	4.0%	38.7%	32.8%	37.8%	38.2%	9/02
Custom Benchmark		3.8%	38.4%	33.0%	35.6%	36.1%	
Value Added		0.2%	0.3%	-0.2%	2.2%	2.1%	
Performance Objective		4.3%	40.4%	35.0%	37.6%	38.1%	
Value Added		-0.3%	-1.7%	-2.2%	0.2%	0.1%	
Genesis	1.5	3.5%	29.5%	30.2%	33.3%	33.2%	9/02
Custom Benchmark		3.8%	38.4%	33.0%	35.6%	36.1%	
Value Added		-0.3%	-8.9%	-2.8%	-2.3%	-2.9%	
Performance Objective		4.4%	40.9%	35.5%	38.1%	38.6%	
Value Added		-0.9%	-11.4%	-5.3%	-4.8%	-5.4%	
Lazard	0.6	3.6%	-.-%	-.-%	-.-%	3.6%	9/07
Custom Benchmark		3.8%	-.-%	-.-%	-.-%	3.8%	
Value Added		-0.2%	-.-%	-.-%	-.-%	-0.2%	
Pictet	0.6	3.1%	-.-%	-.-%	-.-%	16.5%	6/07
Custom Benchmark		3.8%	-.-%	-.-%	-.-%	14.9%	
Value Added		-0.7%	-.-%	-.-%	-.-%	1.6%	



External Manager Performance Review (continued)
International Equity – Corporate Governance

	Market Value	Qtr	1 Year	3 Year	5 Year	Date
Total Int'l Corporate Governance	2.8	-7.4%	-3.4%	11.0%	19.5%	12/98
Governance for Owners	0.2	-9.8%	7.1%	-.-%	-.-%	12/06
<i>Custom Benchmark</i>		0.3%	15.5%	-.-%	-.-%	
<i>Value Added</i>		-10.1%	-8.4%	-.-%	-.-%	
Internal Governance for Owners	0.2	-12.4%	-.-%	-.-%	-.-%	9/07
<i>Custom Benchmark</i>		0.3%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-12.7%	-.-%	-.-%	-.-%	
Hermes UK Focus	0.4	-10.9%	-9.4%	9.5%	20.9%	12/99
<i>Custom Benchmark</i>		-0.4%	5.3%	11.9%	17.9%	
<i>Value Added</i>		-10.5%	-14.7%	-2.4%	3.0%	
Hermes Europe Focus	0.3	-0.9%	12.7%	25.1%	-.-%	9/03
<i>Custom Benchmark</i>		0.7%	17.7%	21.4%	-.-%	
<i>Value Added</i>		-1.6%	-5.0%	3.7%	-.-%	
Hermes U.K. Small Cap	0.1	-12.2%	-.-%	-.-%	-.-%	12/07
<i>Custom Benchmark</i>		-13.9%	-.-%	-.-%	-.-%	
<i>Value Added</i>		1.7%	-.-%	-.-%	-.-%	
Knight Vinke	0.2	-1.2%	7.4%	27.6%	-.-%	12/03
<i>Custom Benchmark</i>		0.3%	15.5%	20.0%	-.-%	
<i>Value Added</i>		-1.5%	-8.1%	7.6%	-.-%	
Knight Vinke Internal Partners	0.2	-1.8%	21.5%	-.-%	-.-%	3/06
<i>Custom Benchmark</i>		0.3%	15.5%	-.-%	-.-%	
<i>Value Added</i>		-2.1%	6.0%	-.-%	-.-%	
SPARX Value Creation	0.4	-16.0%	-22.8%	2.3%	-.-%	3/03
<i>Custom Benchmark</i>		-8.7%	-12.2%	8.9%	-.-%	
<i>Value Added</i>		-7.3%	-10.6%	-6.6%	-.-%	
Taiyo Fund	0.7	-7.3%	-3.9%	17.9%	-.-%	9/03
<i>Custom Benchmark</i>		-8.7%	-12.2%	8.9%	-.-%	
<i>Value Added</i>		1.4%	8.3%	9.0%	-.-%	
Taiyo Pearl Fund	0.2	-.-%	-.-%	-.-%	-.-%	12/07
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	



External Manager Performance Review (continued)

Fixed Income – High Yield

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	67.8	3.5%	8.1%	5.3%	7.0%	6.9%
<i>Fixed Income Policy Index</i>		3.5%	7.6%	4.6%	5.5%	6.5%
External High Yield	1.1	-5.4%	3.1%	6.9%	11.8%	-.-%
Highland Capital Distressed Fund	0.2	-13.8%	3.6%	13.0%	21.7%	-.-%
<i>Custom Benchmark</i>		-0.9%	2.4%	5.1%	7.8%	-.-%
<i>Value Added</i>		-12.9%	1.2%	7.9%	13.9%	-.-%
Nomura	0.3	-2.1%	1.3%	5.0%	10.4%	-.-%
<i>Custom Benchmark</i>		-0.9%	2.4%	5.1%	10.7%	-.-%
<i>Value Added</i>		-1.2%	-1.1%	-0.1%	-0.3%	-.-%
PIMCO	0.3	-0.8%	3.3%	5.6%	10.8%	-.-%
<i>Custom Benchmark</i>		-0.9%	2.4%	5.1%	10.7%	-.-%
<i>Value Added</i>		0.1%	0.9%	0.5%	0.1%	-.-%

Fixed Income – MDP

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
DF Manager Development	0.2	2.9%	7.2%	4.5%	5.4%	-.-%
LM Capital	0.2	2.9%	7.2%	4.5%	4.9%	-.-%
<i>Custom Benchmark</i>		3.2%	7.2%	4.7%	4.6%	-.-%
<i>Value Added</i>		-0.3%	0.0%	-0.2%	0.4%	-.-%
<i>Performance Objective</i>		3.4%	8.2%	5.7%	5.5%	-.-%
<i>Value Added</i>		-0.5%	-1.0%	-1.2%	-0.6%	-.-%



External Manager Performance Review (continued)
Fixed Income – External International

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	67.8	3.5%	8.1%	5.3%	7.0%	6.9%
<i>Fixed Income Policy Index</i>		3.5%	7.6%	4.6%	5.5%	6.5%
International Fixed Income	7.5	3.7%	10.8%	2.6%	7.8%	6.0%
Alliance Bernstein	1.3	3.4%	-.-%	-.-%	-.-%	-.-%
<i>Custom Benchmark</i>		3.7%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-0.3%	-.-%	-.-%	-.-%	-.-%
Baring	0.1	3.8%	10.1%	2.2%	7.2%	5.7%
<i>Custom Benchmark</i>		3.7%	10.9%	2.7%	7.6%	6.3%
<i>Value Added</i>		0.1%	-0.8%	-0.5%	-0.4%	-0.6%
<i>Performance Objective</i>		4.1%	12.4%	4.2%	9.1%	7.8%
<i>Value Added</i>		-0.3%	-2.3%	-2.0%	-1.9%	-2.1%
Brandywine	0.6	2.9%	-.-%	-.-%	-.-%	-.-%
<i>Custom Benchmark</i>		3.7%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-0.8%	-.-%	-.-%	-.-%	-.-%
Mondrian	1.3	4.6%	-.-%	-.-%	-.-%	-.-%
<i>Custom Benchmark</i>		3.7%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		0.9%	-.-%	-.-%	-.-%	-.-%
PIMCO	1.2	3.8%	-.-%	-.-%	-.-%	-.-%
<i>Custom Benchmark</i>		3.7%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		0.1%	-.-%	-.-%	-.-%	-.-%
Rogge	1.7	4.3%	11.7%	3.0%	8.2%	-.-%
<i>Custom Benchmark</i>		3.7%	10.9%	2.7%	7.6%	-.-%
<i>Value Added</i>		0.6%	0.8%	0.3%	0.6%	-.-%
Western	1.3	2.4%	8.6%	2.0%	7.6%	-.-%
<i>Custom Benchmark</i>		3.7%	10.9%	2.7%	7.6%	-.-%
<i>Value Added</i>		-1.3%	-2.3%	-0.7%	0.0%	-.-%



External Manager Performance Review (continued)
Fixed Income - Special Investments

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Special Investments	1.1	2.7%	6.3%	5.5%	5.3%	5.8%
Equitable CCMF	0.0	1.7%	9.1%	9.2%	8.0%	8.2%
MHLP-BRS	0.9	2.5%	6.1%	5.4%	5.4%	-.%
U.L.L.I. Co.	0.0	2.0%	24.3%	11.7%	9.6%	9.6%



Manager Monitoring

Wilshire will rigorously monitor each of CalPERS' externally-managed investment managers and provide quarterly updates and issues in the Executive Summary.

Domestic Equity

Shamrock

- The manager has underperformed its benchmark for all time periods. This is a very concentrated portfolio which Wilshire monitors each quarter. Additionally, a key personnel departure was recently announced and a replacement search is underway. Wilshire will continue to monitor the manager closely.

Smith Breeden

- This enhanced index manager has underperformed its benchmark for all time periods. Wilshire will continue to monitor the portfolio.

New Mountain

- The manager has underperformed its benchmark for all time periods. This is a very concentrated portfolio which Wilshire monitors each quarter. Wilshire will continue to monitor the manager closely.

WAMCO

- The manager has underperformed its benchmark and performance objective for all time periods. This is an enhanced manager that uses fixed income securities to add alpha to a domestic equity overlay. WAMCO's focus on the spread sectors (mortgages and corporate bonds) have hurt performance recently as treasuries have outperformed and spreads have widened. Wilshire will continue to monitor the manager closely.

Int'l Equity

Capital Guardian

- The manager continues to outperform its benchmark since inception. However, recent performance has been behind the benchmark and performance objective due to unrewarded sector selection. Wilshire is closely monitoring the manager.

Genesis

- This emerging market manager lags its benchmark for all time periods. The manager has had poor stock selection. Wilshire will continue to monitor the manager especially since the emerging markets policy was recently changed.

Grantham Mayo

- The manager has lagged its benchmark for all periods with the exception of the since inception period. The manager has had poor sector and country selection. Wilshire will continue to monitor the manager.

Robecco USA

- The manager continues to underperform its performance objective for all time periods. Wilshire is closely monitoring the manager.

Int'l Fixed Income

Baring

- The manager has underperformed its performance objective for all time periods. Wilshire is closely monitoring the manager.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors

Fourth Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: March 1996

Capital Commitment: \$1 billion

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.8 million	\$3,198.9 million
Distributed Capital:	\$ 75.4 million	\$2,770.3 million

Market Value (12/31/07): \$ 1,066.2 million

Investment Strategy:

Relational Investors employs a corporate governance strategy aimed at unlocking intrinsic value in underperforming, publicly traded, U.S. companies. When compared to the broader market and industry peers, these companies typically exhibit inferior performance in one or more of the following areas: operations, financial structure, long-term strategy, corporate governance policies or management. Each investment represents a significant percentage of a particular company's outstanding shares, generally 3-10%. Relational Investors then seeks to maximize investment value by initiating contact with the company's management, board of directors and other shareholders to facilitate change.

Summary Analysis:

Number of Investments: 8

Organization: Relational is developing a new offering that focuses on the middle market companies. As a result, significant personnel additions were made during the quarter:

1. Frank Hurst – Senior Managing Director of Marketing and Strategic Planning
2. Fir M. Geenen – Senior Managing Director of Investments – middle market fund
3. Tom Lavia – Analyst – middle market fund

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors

Fourth Quarter 2007

Performance Analysis:

Relational experienced a difficult quarter due to the hard-hit financial sector. For the quarter, the portfolio's return of -13.4% underperformed its benchmark, the S&P 500 Index, by 10.1%. For the year, Relational trails the S&P 500 by 15.6%. Baxter, the largest position in the portfolio, enjoyed a quarter of good news: strong earnings, no more issues with their Colleague pumps, and strong overseas sales. Relational feels Baxter has addressed many issues and will exit the strategy soon. The second largest position, National Semiconductor, improved revenues but suffered due to the slowing cyclical demand experienced by the semiconductor industry as a whole. Prudential's position was slightly trimmed over the quarter for a realized gain. Relational continues regular dialogue with the CEOs at Prudential, Sprint/Nextel, and Capital One, while working closely with the Board at Home Depot and Sovereign Bancorp. Relational is optimistic about the Unum Group as they have continue their stock repurchase plan, the focus on the penetration of the profitable small-case business, and the new enrollment system that will provide significant competitive advantage. Relational completed its exit of the successful Analog Devices strategy in the 4th quarter.

Calendar Year Performance (%)									
As of 12/31/2007									
	YTD	2006	2005	2004	2003	2002	2001	2000	1999
Relational	-10.01	9.29	9.89	16.49	40.77	0.55	7.89	73.70	17.77
Custom S&P 500	5.54	15.81	4.89	10.87	28.69	-22.12	-11.88	-9.12	20.98
Excess Return	-15.55	-6.52	5.00	5.62	12.08	22.67	19.77	82.82	-3.21

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Hermes U.K. Focus
Fourth Quarter 2007

Investment Type: U.K. Corporate Governance Fund

Inception Date: November 1999

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 199.9 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (12/31/07): \$ 375.1 million

Investment Strategy:

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, U.K. companies. For companies that meet their initial purchase criteria, HLAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HLAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE 250 futures.

Summary Analysis:

Number of Investments: 12

Organization: Rod Kent became Chairman of the BT Pension Scheme on January 1st, 2008. On December 4th, Hermes announced the formal appointment of Rupert Clarke as CEO of Hermes to replace Mark Anson.

Philosophy/Process: No material changes.

Performance Analysis:

The UK Focus Fund underperformed its benchmark by 8.5% over the quarter, which in turn contributed to underperformance of 14% for 2007 in total. While the fund did not have exposure to the financial sector, it does hold a number of stocks reliant on consumer spending. Elsewhere however, the absence of activist agendas among mining and resources stocks prevented HFAM from gaining exposure to these strongly performing areas.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Hermes U.K. Focus
Fourth Quarter 2007

Performance Analysis (Continued):

	Calendar Year Performance (%)							
	As of 12/31/2007							
	YTD	2006	2005	2004	2003	2002	2001	2000
Hermes U.K.	-9.37	43.99	0.58	17.72	66.65	-25.72	-6.57	0.03
FTSE All Share	5.32	16.75	13.94	21.02	34.39	-14.47	-15.52	-12.96
Excess Return	-14.69	27.24	-13.36	-3.30	32.26	-11.25	8.95	12.99

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
SPARX Asset Management
Fourth Quarter 2007

Investment Type: Japanese Corporate Governance Fund

Inception Date: January 2003

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 75.7 million	\$ 827.4 million
Distributed Capital:	\$ 85.0 million	\$ 535.5 million

Market Value (12/31/07): \$ 420.3 million

Investment Strategy:

The SPARX Value Creation Fund targets underperforming or undervalued companies based in Japan with a market capitalization between \$300 million and \$3 billion. The SPARX Research Platform, which is a research team of ten analysts, will use quantitative and qualitative screens to identify approximately 40 target companies from the SPARX database of 2,500 companies. The Value Creation group then will conduct in-depth research on these target companies by initiating contact with company management. These companies typically exhibit one or more of the following traits: low valuation, potential for balance sheet optimization, or potential for profit improvement. The fund looks to invest in 5-10 companies per year with 5-20% of net asset value dedicated to each investment. It will actively engage and work in partnership with management or major shareholders to unlock the investment's value over a specified period of time. The performance objective for the fund is the Topix Index + 150 basis points.

Summary Analysis:

Number of Investments: 8

Organization: No significant personnel turnover during this quarter. SPARX brought in a junior research analyst to the small cap team. CalPERS withdrew \$100 million from the VCI Strategy while another separately managed account redeemed \$70 million.

Philosophy/Process: No material changes.

Performance Analysis:

The Japan Value Creation Investment Strategy returned -16.0% for the quarter and underperformed the TOPIX (-8.7%). The Fund's holdings in general saw sizable depreciation during this period, as the broad market condition remained challenging. Among the eight VCI holdings, the single largest performance detractor was Sprinter, whose recent disclosure of falsified past federal test data from one of its non-core business wiped out 40% of the stock's value and significantly weight on VCI return. Lion, a real estate operating company whose stock price was adversely impacted by the down turn of the whole sector, also contributed to the fund's relative performance. Much of SPARX's attention will be focused on the alliance between Revolution and Japan (they comprise about 20% of the VCI Strategy) in the coming quarters, as investors have expressed concerns regarding the large scale business integration between the two companies.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
SPARX Asset Management
Fourth Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)				
As of 12/31/2007				
	YTD	2006	2005	2004
SPARX	-22.82	-2.59	42.28	19.10
Topix Index	-12.22	1.90	44.29	11.23
Excess Return	-10.60	-4.49	-2.01	7.87

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Hermes Europe Focus

Fourth Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: August 2003

Capital Commitment: \$100 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 100.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (12/31/07): \$ 286.0 million

Investment Strategy:

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, European ex-U.K. companies. For companies that meet their initial purchase criteria, HLAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HLAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE Europe ex-U.K. futures.

Summary Analysis:

Number of Investments: 18

Organization: Investment Director Marco Ricci and Frederick Gazelius left the executive team in the 3Q of last year. Hermes brought in Jorge Mayo, a recent business school grad, to build up the junior level staff. He will work on investment analysis and help with engagement activities.

Philosophy/Process: No material changes.

Performance Analysis:

The European Focus Funds underperformed the benchmark in the fourth quarter by approximately 1.5%. Hermes' relative performance was driven partially by sector allocation, mainly the lack of exposure to utilities and traditional telecoms and an overweight in technology, as well as stock specific factors. These were mainly Eniro, ASMI, Italmobiliare and Freenet. On the other hand, Hagemeyer, Deutsche Post and AWD contributed positively in relative terms.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Hermes Europe Focus
Fourth Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)				
As of 12/31/2007				
	YTD	2006	2005	2004
Hermes Europe	12.65	48.49	17.08	32.89
FTSE Europe ex-U.K.	17.70	36.95	10.95	22.07
Excess Return	-5.05	11.54	6.13	10.82

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Hermes UK Small Companies Focus Fund
Fourth Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: October 2008

Capital Commitment: \$60 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 59.9 million	\$ 59.9 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (12/31/07): \$ 52.2 million

Investment Strategy:

HFAM's strategy is to add value by investing in smaller UK companies that have a significant gap between the current trading price of the company versus its actual value if it were managed properly. HFAM seeks to narrow this value gap by improving the corporate governance, Board members and senior management, capital structure, and overall strategy of these underperforming companies. The Fund expects to have a concentrated portfolio of 12 to 20 companies, with a goal out-performing the FTSE Small Cap (ex-Investment Trusts) Total Return Index by 5% on a three year rolling basis.

Summary Analysis:

Number of Investments: 17

Organization: The UK Small Co. Focus Fund brought in Jeremy Le Sueur as Director in January 2008 to strengthen the team's research capabilities.

Philosophy/Process: No material changes.

Performance Analysis:

The UK Small Companies Focus Fund II outperformed its benchmark by 1.7% in Q4. The quarter again saw significant engagement activity with progress, mainly management change, at several portfolio companies with which HFAM was actively involved. In December they received a cash bid of 38p for NSB Retail from US competitor Epicore, a 58% premium. Given the currency background (Canadian dollar cost base selling into US) and an under pressure US retail customer base, UKSCFF believes that the bid represents fair value. The fund also sold down its holding in Vitec where the engagement has been completed and the market has begun to correctly value the management restructuring and growth achievements at the company.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Hermes UK Small Companies Focus Fund
Fourth Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%) As of 12/31/2007	
	2007 YTD
Hermes UK Small Co. Focus	-12.19
FTSE Small Cap ex-Inv. Trusts	-13.85
Excess Return	1.66

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pacific Partners/WL Ross

Fourth Quarter 2007

Investment Type: Japanese Corporate Governance Fund

Inception Date: July 2003

Capital Commitment: \$500 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 450.1 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (12/31/07): \$ 701.3 million

Investment Strategy:

Taiyo Pacific Partners/WL Ross believe that public equity investors in Japan can be rewarded with superior returns by investing in companies that will implement corporate governance improvements. The investment strategy has two elements. First, identify undervalued stocks utilizing Taiyo's asset value and earnings potential analysis. Second, create valuation improvements by means of a three-phase corporate governance strategy. The three phases are: improving transparency and disclosure, improving corporate profitability, and improving shareholder value. Taiyo proposes to use its own proprietary database to identify target companies. Once identification is made, Taiyo's strategy is to be a constructive shareholder with those companies willing to make corporate governance improvements.

Summary Analysis:

Number of Investments: 19

Organization: Taiyo bought back 5% stake of the Taiyo Fund from CalPERS during the quarter; the Fund's current ownership structure is 45% Taiyo/40% WLR/15% CalPERS. Kenji Iwamoto was brought in as a Director to work on the Taiyo Fund. Colin Butnick, a Director on the Cypress Fund, departed and Taiyo replaced him with Rich Boyden. In addition, two Associates, Pei Li and Hideharu Ichii also left the firm for personal reasons.

Philosophy/Process: No material changes.

Performance Analysis:

The Taiyo Fund returned -7.3% for the quarter, outperforming the TOPIX's return of -8.7%. The fund continues to benefit from its exposure in the Industrial and Health Care sectors, as printing services/popular touch panel manufacturer Nissha and diagnostic/reagent company Miraca were among the best performing holdings and aided the fund's relative outperformance. In the mean time, Taiyo is working closely with TOPCON, one of the fund's main underperforming investments, in assisting management restructure and growth the firm's Optical business.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Taiyo Pacific Partners/WL Ross
Fourth Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)				
As of 12/31/2007				
	YTD	2006	2005	2004
Taiyo	-3.91	9.08	56.46	27.03
Topix Index	-12.22	1.90	44.29	11.23
Excess Return	<i>8.31</i>	<i>7.18</i>	<i>12.17</i>	<i>15.80</i>

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pearl Fund/WL Ross

Fourth Quarter 2007

Investment Type: Japanese Corporate Governance Fund

Inception Date: October 2007

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 200.0 million	\$ 200.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (12/31/07): \$ 210.9 million

Investment Strategy:

TPF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant out performance for shareholders. TPF will utilize a friendly relational approach in working with Japanese companies in both public and private equity space to create and/or unlock value. TPF will focus on companies with a market cap of \$50 ~ \$500million. The investment approach will include 1) activist investing in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities), 2) active investing in attractive public companies (where they will not take a controlling stake holding less than 5%) and 3) active investing in private companies. Taiyo is seeking to achieve a 15% to 20% annualized return on an absolute basis. The portfolio will average about 30 stocks at a time and several private equity transactions.

Summary Analysis:

Number of Investments: 16

Organization: Taiyo launched the Pearl Fund during October. The Fund raising activities continue and Taiyo expects to receive additional funding in the very near future. TPF parted ways with Drew Edwards during the fourth quarter and brought in Atsushi Yoshida as replacement; both are Directors.

Philosophy/Process: No material changes.

Performance Analysis:

The Taiyo Pearl Fund (TPF) was launched during October 2007 and does not have a full quarter performance yet. Wilshire will initiate full performance monitoring in the first quarter of 2008.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Knight Vinke
Fourth Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: September 2003

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 30.3 million	\$ 501.9 million
Distributed Capital:	\$ 0.0 million	\$ 481.3 million

Market Value (12/31/07): \$ 165.4 million

Investment Strategy:

Knight Vinke believes that in the absence of effective corporate governance and a truly independent board, the separation of ownership and management can create the opportunity for management to act in its own self interest rather than that of the shareholders. The strategy looks to identify underperforming stocks of companies that are fundamentally strong where redress of the underperformance is possible in a reasonable amount of time. The firm believes that detailed fundamental analysis can identify underperforming companies that have strong operating businesses, but are in need of a corporate finance solution to a factor or factors that specifically is depressing the share price. To identify such companies the firm uses several sources: its own screening process through market information services such as Bloomberg, their own industry knowledge, outside brokers, other institutional shareholders, other corporations, industry manager who may have recently retired, or corporate finance professionals.

Summary Analysis:

Number of Investments: 7

Organization: Louis Curran resigned from the Board of Directors and relinquished her ownership stake in KV; her responsibilities were taken over by Glen Suarez. The firm also continues to look for suitable candidates to add to its investment staff. KV has re-opened its Special Situation Partners as of February to new investors.

Philosophy/Process: No material changes.

Performance Analysis:

The fund underperformed the FTSE All World Europe Index during the quarter with a fund return of -1.2% versus the benchmark return of 0.3% in USD. The 1 year numbers were similarly disappointing as the fund returned 7.4% versus the benchmark return of 15.5%. The position in HSBC and Project Adriatica both contributed negatively to performance over the last year. The engagement process for both projects continues to progress, and KV expects to see improvement going forward. During a very volatile month for the markets in January 2008, the fund ended about even with the benchmark. This volatility in the market has allowed KV to strategically add to positions at more attractive prices. KV continues to maintain a significant amount of dry powder and will look to deploy capital judiciously as warranted during the first part of 2008.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Knight Vinke
Fourth Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)				
As of 12/31/2007				
	YTD	2006	2005	2004
Knight Vinke	7.42	51.12	28.08	24.73
FTSE All World Europe	15.47	35.15	10.81	21.51
Excess Return	-8.05	15.97	17.27	3.22

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Shamrock Capital
Fourth Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: December 2004

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 32.5 million	\$ 181.5 million
Distributed Capital:	\$ 0.0 million	\$ 32.8 million

Market Value (12/31/07): \$ 150.6 million

Investment Strategy:

Shamrock believes that combining a deep value investment orientation with an activist shareholder approach founded upon best governance practices, results in superior returns for long-term investors. They seek to find underperforming but fundamentally sound businesses, where they can substantially improve shareholder value with their application of good governance practice. They choose to look at companies they can purchase at a significant discount (<40%) to the underlying value and find free cash flow available to owners that typically exceed 10%. Once these criteria are met, Shamrock will only invest if they believe they can persuade the Board and/or management to believe in their activist strategy to make fundamental changes to the governance structure and business. After investing, persistence and careful monitoring is the key to unlocking value.

Summary Analysis:

Number of Investments: 13

Organization: Shamrock added two mid-level individuals to the investment team, and brought in two additional individuals.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through December 2007, Shamrock's time-weighted performance has trailed its benchmark. However, Shamrock reported that its suggestions are being adapted by the companies and performance should pick-up. For the fourth quarter, Shamrock's performance was hindered by its two largest holdings: iPass and Coinstar. Shamrock joined the board of iPass and during the 4th quarter sent a letter to the company stating it should position itself to be sold. During iPass' quarterly call, they indicated that all options will be considered but that the business had stabilized and appeared to be on solid ground. Shamrock was not happy with this message and will think about its next steps. While Coinstar's performance was less than stellar, the company had favorable announcements in regards to its agreement with Wal-Mart and its business alliance with Redbox, a self-serve DVD rental kiosk. Shamrock also bought additional shares of Reddy Ice since Shamrock feels it is in a niche market and is the dominant player in the Sunbelt region.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Shamrock Capital
Fourth Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)		
As of 12/31/2007		
	YTD	2006
Shamrock	-9.39	1.49
Russell 2000	-1.57	18.35
Excess Return	-7.82	-16.86

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners III
Fourth Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: July 2005

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.9 million	\$ 121.7 million
Distributed Capital:	\$ 21.5 million	\$ 31.2 million

Market Value (12/31/07): \$ 175.9 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 19

Organization: There were no departures or new hires during 4Q. The Strategic Partners Fund IV reached its first closing in November 2007; Blum expects the fund raising activities for Fund IV will continue for the next few quarters.

Philosophy/Process: No material changes.

Performance Analysis:

The Strategic Partners Fund III returned -1.2% during the 4Q and underperformed its benchmark, 8% Absolute Return. Primary drag on performance was MoneyGram, as the money transferring company's mortgage-linked investments had significant negative impact on its earnings and stock price. Kinetic Concepts, a medical device company specializing in Vacuum Assisted Closure (VAC) also contributed to the fund's relative underperformance as investors were concerned that the company does not have a broad enough patents to guarantee future earnings growth.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners III
Fourth Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%) As of 12/31/2007		
	YTD	2006
Blum III	3.92	9.46
8% Absolute Return	8.00	8.00
Excess Return	-4.08	1.46

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners IV
Fourth Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: November 2008

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 29.2 million	\$ 29.2 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (12/31/07): \$ 26.2 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 5

Organization: There were no departures or new hires during 4Q. The Strategic Partners Fund IV reached its first closing in November 2007; Blum expects the fund raising activities for Fund IV will continue for the next few quarters.

Philosophy/Process: No material changes.

Performance Analysis:

The Strategic Partners Fund IV was launched during fourth quarter of 2007 and does not have a full quarter performance yet. Wilshire will initiate full performance monitoring in the first quarter of 2008.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

New Mountain Vantage

Fourth Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: January 2006

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 200.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (12/31/07): \$ 209.3 million

Investment Strategy:

New Mountain's strategy is to proactively identify deeply undervalued companies through intensive research and then to unlock the value of these companies by working with management to improve the businesses for the benefit of all shareholders. New Mountain will pursue this value-added strategy for the many situations where a negotiated purchase of control of a public company is not available, but where New Mountain can acquire public shares in the open market and use its style of active ownership to increase the value of the firm's stock. They begin with a "Top-Down" approach, looking at sectors that have stable demands with high growth potentials. They seek companies where barriers to new entry are high, companies have pricing power, and where free cash flow generation characteristics are strong.

Summary Analysis:

Number of Investments: 23

Organization: No changes to report for this period.

Philosophy/Process: No material changes.

Performance Analysis:

New Mountain lagged its index, the S&P 500, for the quarter as the majority of its stocks underperformed. New Mountain spent the majority of its time and resources on National Fuel as it entered into a proxy fight with the company. New Mountain settled with National Fuel and will now be on the board and will have access to additional data. New Mountain was pleased with the result and looks for National Fuel to start expanding its operations in its Appalachian holding. New Mountain's performance was also hindered by technical selling as increased volatility hurt some of its holdings.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
New Mountain Vantage
Fourth Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%) As of 12/31/2007		
	YTD	2006
New Moutain	-2.05	
S&P 500	5.49	
Excess Return	-7.54	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Breeden Partners
Fourth Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: June 2006

Capital Commitment: \$500 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 15.0 million	\$ 548.5 million
Distributed Capital:	\$ 75.0 million	\$ 123.5 million

Market Value (12/31/07): \$ 407.7 million

Investment Strategy:

Breeden's philosophy is to invest in US companies that are experiencing underperformance and diminished valuation due to correctable problem in policy and governance. The Fund will target mid-to-large-cap companies ranging from \$500 million to \$10 billion in market capitalization. The portfolio will be concentrated and will typically hold 8 to 12 positions. The objective of the Fund is to outperform the S&P 500 Index by 10% over the long-term.

Summary Analysis:

Number of Investments: 7

Organization: Michael Keating joined as a senior research analyst.

Philosophy/Process: No material changes.

Performance Analysis:

Breeden's concentrated portfolio, like all domestic equity, experienced a broadly negative quarter of lagging performance (-7.3% versus -3.3% for the S&P 500 Index), with a handful of holdings doing well. Breeden is making steady progress with each of their holdings – of their three largest positions, Breeden is on the Board of two (H&R Block, Zale) while Hillenbrand has been actively and positively responding to Breeden. Hillenbrand, the largest holding, will split its hospital bed business from the casket business now in March 2008 (the scheduled February 2008 split was delayed by the SEC). H&R Block is in the process of selling off non-core business segments. Richard Breeden is now on the Board and will concentrate on the following issues: strategy, aggressive cost-cutting, and focusing on their core business. Now that Helmerich & Payne has been a home run, Breeden will soon exit the strategy. Breeden maintains the wait-and-see approach with Alexander & Baldwin now that their large disclosure packet is due and with Steris to see how the new CEO responds. The successful Applebee strategy was closed. Breeden indicates that it will continue to look for attractive opportunities in the small/small-mid cap space to build out its portfolio.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Breeden Partners
Fourth Quarter 2007

Performance Analysis (continued):

Calendar Year Performance (%)		
As of 12/31/2007		
	YTD	2006
Breeden Partners	-4.28	
S&P 500	5.49	
Excess Return	-9.77	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Governance for Owners

Fourth Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: October 2006

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 199.6 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (12/31/07): \$ 218.0 million

Investment Strategy:

GO's philosophy is to invest in fundamentally sound quoted companies in Europe where shares are trading at a discount due to correctable management or strategic issues. GO has a performance objective of five percentage points over the return of the FTSE Developed Europe Total Return Index on an annualized basis. The fund is expected to have 10 to 15 equity positions when it is fully invested with futures used to equitize any meaningful cash balances.

Summary Analysis:

Number of Investments: 10

Organization: GO brought in Helene Jelman, a former CIO at Arlington Capital Investors, as Investment Director in January, 2008. The firm has also won new mandates from CalSTRS and LACERS as well as received additional funds from an existing client recently, with commitments totaling \$485 million.

Philosophy/Process: No material changes.

Performance Analysis:

The fund significantly under-performed the European market during the 4th quarter with a return of -9.8% versus 0.3% for the FTSE All World Europe Index. Large market capitalization stocks continued to out-perform during the 4th quarter and this had a negative impact on GO's performance. However, stock specific factors were the dominant driver of the underperformance, particularly with Office Supplies and Broadcaster, which were down 27.1% and 13.9%, respectively. Share price of Office Supplies continued to be depressed due to investors' lack of confidence in the company's growth prospect. GO will begin to re-evaluate this investment if the company is unable turn around performance soon. Broadcaster's stock underperformed largely due to a scandal involving premium rate phone services. GO still believes Broadcaster's core business is sound and will continue with its planned engagement.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Governance for Owners
Fourth Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%) As of 12/31/2007		
	YTD	2006
Governance for Owners	7.06	
FTSE All World Europe	15.47	
Excess Return	-8.41	N.A